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FINAL REPORT

EVALUATION OF LOCAL GOVERNMENT ACTIVITIES IN USAID PROGRAMS IN CENTRAL/EASTERN EUROPE

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LIST OF ACRONYMS

APC	Association of Polish Cities
CEE	Central and Eastern Europe
DOE	Department of Energy
FSLD	Foundation in Support of Local Democracy
HG	Housing Guarantee
ICMA	International City/County Management Association
KPMG	Peat Marwick Company
LEM	Local Environmental Management
MDA	Municipal Development Authority
MOE	Ministry of Environment
MOF	Ministry of Finance
MRI	Municipal Research Institute (Hungary)
NGO	Nongovernmental Organization
NIS	Newly Independent States
OAR	Office of the USAID Representative
PADCO	Planning and Development Collaborative
RAO	Regional Audit Office (Poland)
TDO	Town Development Office
ULI	Urban Land Institute
USAID	United States Agency for International Development
USAID/W	United States Agency for International Development/Washington
USC	University of South Carolina
USG	United States Government
VAT	Value-Added Tax
WASH	Water and Sanitation for Health
ZMOS	Association of Towns and Villages

EVALUATION OF LOCAL GOVERNMENT ACTIVITIES IN USAID PROGRAMS IN CENTRAL AND EASTERN EUROPE

EXECUTIVE SUMMARY

A. SCOPE OF THE EVALUATION

This evaluation covers United States Agency for International Development (USAID)-assisted activities located in four Central/Eastern European countries: Bulgaria, Hungary, Poland and Slovakia. It examines four principal sectors of assistance; housing and urban development, environment, energy and privatization, from a single point of view: their impact on strengthening local government, either directly or through intergovernmental action.

The evaluation seeks to assess the impact of the selected USAID activities on local government and to draw conclusions as to what can be learned from them that is of relevance to assistance activities in these countries and the Newly Independent States (NIS). The evaluation's findings and recommendations are based primarily on field review by a three-member consultant team. The team briefly visited sites of 24 specific assistance activities selected by USAID. The team also drew upon findings from an earlier evaluation (Phase I) of training and technical assistance activities in Poland and Bulgaria conducted by the same consulting firm (completed in September, 1994).

This evaluation was subject to a number of significant limitations and constraints. First, it was designed after the activities being evaluated were already under way; thus, there was no prior baseline against which to assess accomplishment. Second, many of the activities being evaluated in terms of their impact on local government were not initially designed with that relationship as a major concern, or in some cases, as any part of their scope. In addition, although the number of activities included was large relative to the on-site time available to the evaluators, they were scattered over four countries and many cities and represented only a small percentage of the activities which together constitute each of the country programs. In some cases, the team visited only one of several cities where similar activities had occurred. In other cases, the team reviewed only one of several activities which had occurred in the same city. As a result of these limitations, some of the broad conclusions requested in the original terms of reference (see Annex 1) would be difficult to justify and findings linking cause and effect questionable. After discussing these considerations with the evaluation office staff, a revised structure for the final report was developed focusing on those conclusions and recommendations which are substantiated by the findings.

B. PRINCIPAL FINDINGS

Impact Of Various Activities On Strengthening Local Government

The evaluation team saw as a principal part of its task the classification of various types of USAID assistance activities in terms of how useful they were likely to prove in responding to the needs of the four Central/Eastern European countries in strengthening local government. The team identified four categories of technical assistance that appeared to be of the highest relevance to enhancing local governments as they emerged from a centralized Communist-dominated environment: financial management, personnel (or human resources) management; intergovernmental relations; and service delivery.

a. High Impact Assistance Efforts

(1) Financial Management. The pressing fiscal problems of most Central and Eastern European municipalities requires that high priority be given to financial management. While there are many different systems within the overall category of financial management, the two that appear to be of the highest priority need at present are budgeting and resource mobilization. Other systems, such as accounting and auditing, while they are essential supports to good budgeting, will probably take more time to develop. More sophisticated techniques, such as performance measurement and productivity improvement, are likely to develop only over longer periods of time (based on US and Western European experience) although some steps, such as privatization of selected municipal services, can proceed more rapidly.

(2) Human Resources Management. Upgrading the knowledge and technical capabilities of municipal managers and workers is another topic of great importance. Of the assistance activities examined within this phase of the evaluation, none focused directly or principally on this topic. Included in Phase I of the evaluation there were, however, several important human resources-strengthening activities, including support for a Polish training organization.

(3) Intergovernmental Relations. Throughout Central and Eastern Europe, local government is a relatively new and weak participant in the intergovernmental structure. The centralizing tendencies of 40 years of Communism only further emphasized the previous environment of little local home rule tradition in most countries. For these countries, USAID has (correctly, in the view of this evaluation team) seen strengthening local government as a major means of strengthening democracy.

No matter how strong local government can be made, however, realistically it is still likely to remain dependent for much of its resources and authority on central and/or regional governments. This places intergovernmental relations at the forefront of local concerns. However, the fact that in most of the countries covered by this evaluation the present governments have, at best, very restrained enthusiasm for strengthening municipal governments (and, in some countries, have declared their direct opposition to enhanced home rule) makes USAID's task a difficult one.

(4) Service Delivery Improvement. Local governments perform functions other than service delivery; however, a local government incapable of delivering basic municipal services to its residents can hardly be considered to be performing adequately. It has, therefore, been appropriate that many USAID assistance efforts have focused on improving the quality and responsiveness of local services. In the view of the evaluation team, an important aspect of evaluating the effectiveness of service delivery-focused assistance was whether it seemed likely to have spin-off effects on other local government functions or on other municipalities.

b. Other Assistance Efforts

The scope of concerns of local and central government in Central and Eastern Europe is extremely broad. Correspondingly, USAID assistance has also extended over a very broad range of subjects. A number of the activities covered in this evaluation had as their principal focus matters other than the four high-priority local government concerns discussed in the previous section. This does not necessarily mean that they were of low value to the organizations, programs or communities assisted. However, USAID should consider the consequences of including such activities within a program specifically designed to assist local government if the success of such a program is to be judged solely or primarily by its impact on how local governments function.

C. RECOMMENDATIONS

1. Recommendations Regarding Local Government Program Development

a. USAID should give highest priority to three systems that are of the greatest relevance to strengthening local government: fiscal management (including resource mobilization); personnel

management; and intergovernmental relations. A fourth category of assistance, improving service delivery, is also important, although it is likely to prove more difficult to assure transferability across cities and among countries.

- b. The use of the same short term advisor(s) on a recurrent basis or a resident advisor serving several municipalities seems to be the single best choice for providing technical assistance to local governments.
- c. The content, objectives and scope of USAID's local government assistance program needs continuing refinement and definition.
- d. Greater program development and strategic planning authority for the Offices of the USAID Representative (OARs) will improve country programs and enhance effectiveness.
- e. The OAR's direct contacts with key central government ministries need to be strengthened in some countries and maintained or reestablished in others as OAR personnel change.
- f. Regional or multi-municipality projects, if properly focused, can have a direct and important impact on issues that affect local governments within a country or even across different countries.
- g. Although enhanced OAR responsibilities are recommended to improve country program coordination, there should be continuing participation by USAID/Washington (USAID/W) to assure access to program specific sectoral expertise, avoid replication of efforts, and maximize the potential for information sharing across the region.

2. Recommendations Regarding Future Program Evaluations

Based on the evaluation team's experience on this evaluation, the report also presents recommendations for USAID's consideration in the conduct of future program-oriented evaluations.

EVALUATION OF LOCAL GOVERNMENT ACTIVITIES IN USAID PROGRAMS IN CENTRAL AND EASTERN EUROPE

A. SCOPE OF THE EVALUATION

This evaluation covers USAID-assisted activities located in four Central/Eastern European countries: Bulgaria, Hungary, Poland and Slovakia. It examines four principal sectors of assistance; housing and urban development, environment, energy and privatization, from a single point of view: their impact on strengthening local government, either directly or through intergovernmental action. Many, though not all, of the activities examined were designed to provide assistance to individual municipalities or groups of municipalities. Some were oriented toward regional or national activities or concerns.

1. CONCEPT OF THE EVALUATION

The evaluation was designed to look at how the shift of responsibility from central to local government is occurring in each of the four countries, and at the impacts that a selected set of USAID assistance activities have had, or appear likely to have, on the process. It is not, *per se*, a technical evaluation of the activities covered in the evaluation. Instead, the evaluation seeks to measure the impact of the selected USAID activities, viewed as a program, on strengthening local government (to the extent that data is available) and to draw conclusions on lessons that can be learned from them. It makes recommendations on how USAID can and should continue to support and strengthen local government as a basis for enhancing democracy in Central and Eastern Europe.

This evaluation's findings and recommendations are based primarily on field review by a three-member consultant team which included: a recently retired career foreign service officer who has more than 20 years experience designing and managing USAID programs including postings in other emerging market economies; a municipal finance expert with more than 30 years of domestic experience working at all levels of government and extensive international consulting experience with the World Bank and USAID; and one of the principals of Technical Support Services, Inc., an urban planner and real estate developer with private sector housing and land development experience in the US and 20 years of USAID project experience in more than 30 countries. The team visited sites of 24 specific assistance activities selected by USAID (see ANNEX 2). The team also drew upon findings from an earlier evaluation (Phase I) of training and technical assistance activities in support of local governments in Poland and Bulgaria conducted by the same consulting firm (completed in September, 1994).

In addition to looking at the impact of the individual assistance activities, the team sought to assess (1) the effectiveness of the various modes of delivering technical assistance (primarily, in terms of the type whether long-term or short-term advisors were involved) and (2) the effectiveness of USAID coordination in the four countries with respect to the type of activities evaluated.

2. METHODOLOGY AND LIMITATIONS

The three-member team of evaluators began its work with initial briefings by USAID personnel in Washington. It then reviewed the documentation available on the activities (see ANNEX 3). A series of interviews was conducted in the US, in person where feasible and otherwise by telephone, of the people within USAID and various consulting organizations who had significant involvement with the activities. Subsequently, the team made two brief field trips, one of two weeks to Poland and another of one week each to the other three countries. In each country, the OARs were contacted, both at the outset and at the close of the field visits. At the conclusion of the field visits, a draft report was prepared and circulated for review by USAID/W and the four OAR. This version of the final report reflects the comments received from those who reviewed the draft.

It should be recognized that this evaluation was subject to a number of significant limitations and constraints. First, it was designed after the activities being evaluated were already under way; thus, there was no baseline against which to assess accomplishment. Second, many of the activities being evaluated in terms of their impact on local government were not initially designed with that relationship as a major objective or, in some cases, as any part of their scope. In addition, the number of activities included was large relative to the on-site time available to the evaluators. They were also scattered over four countries and many cities and represented only a small percentage of the activities which together constitute each of the country programs. In some cases, the team visited only one of several cities where similar activities had occurred. In other cases, the team reviewed only one of several activities which had occurred in the same city.

As a result of the limitations described above, some of the broad conclusions requested in the original terms of reference would be difficult to justify and findings linking cause and effect questionable. After discussing these considerations with the evaluation office staff, a revised structure for the final report was developed focusing on those conclusions and recommendations which are substantiated by the findings.

3. SIMILARITIES AND DIFFERENCES AMONG THE FOUR COUNTRIES

The four Central and Eastern European countries evaluated; Bulgaria, Hungary, Poland and Slovakia, share a number of common features, generally arising from their more than four decades of experience under communist governments. After initial "post-change" periods of governance by democratic forces at the national level, all four countries are today governed by political coalitions in which the influence of former communists is significant if not dominant. In most of these countries, democratic forces began major decentralization efforts in 1989 by creating a new framework of municipal governments. However, the resurgence of former communists in the national parliaments has halted or significantly slowed the further decentralization and strengthening that these municipal structures urgently need. Under the laws currently in force, municipalities are generally weak and have little authority over revenues or the scope of their responsibilities.

There are also significant differences among the four countries, arising from their different histories, and traditions, as well as their experience in the period since the "change" of 1989. They also differ significantly in population. As compared to Poland's nearly 40 million, Slovakia, Bulgaria and Hungary have much smaller populations (5, 9 and 11 million, respectively).

B. PRINCIPAL FINDINGS OF THE EVALUATION

1. FINDINGS REGARDING THE IMPACT OF VARIOUS TYPES OF ASSISTANCE ON LOCAL GOVERNMENT

The evaluation team saw a principal part of its task as the classification of various types of USAID assistance activities in terms of how useful they were likely to prove in responding to the needs of the four Central/Eastern European countries in strengthening local government. These classifications are derived from and their relative importance to local government based on the responses to the evaluation questions contained in ANNEX 4. The team identified four categories of technical assistance that appeared to be of the highest relevance to enhancing local governments as they emerged from a centralized communist-dominated environment: financial management, personnel (or human resources) management; intergovernmental relations; and service delivery. These four high-impact categories are discussed below, with examples cited from the specific assistance activities reviewed by the team.

This is followed by a discussion of other categories of assistance that the team saw as useful, but less immediately and generally relevant to the needs of local government in the four countries. Depending on circumstances, however, any one of these moderate or lower priority categories might prove of

greater significance to a particular country. For example, the current privatization assistance program in Bulgaria is of direct relevance in that country but would be of low (or no) priority in the other three countries where privatization of municipal property is much more advanced.

a. High Impact Assistance Efforts

(1) Financial Management

The pressing fiscal problems of most Central and Eastern European municipalities requires that high priority be given to financial management. While there are many different systems within the overall category of financial management, the two that appear to be of the highest priority need at present are budgeting and resource mobilization. Other systems, such as accounting and auditing, while essential supports to good budgeting, will probably take more time to develop. More sophisticated techniques, such as performance measurement and productivity improvement, are likely to develop only over longer periods of time (based on US and Western European experience) although some steps, such as privatization of selected municipal services, can proceed more rapidly.

Several of the activities covered in this evaluation were directly focused on either improvements in local budgeting or (usually over a longer time frame) on strengthening resource mobilization:

- The city of Krakow changed its budget procedures and practices as a result of USAID consultant advice. The new budget format is operational, the city's leaders are pleased with the result, and they believe that they now have much better understanding of and control over city finances as a result. The change in budget format represents a clear change in the way the city operates and in the way it uses information to plan for its future.
- Krakow also hosted a multi-national conference on municipal budgeting that helped upgrade understanding of this very important subject in a number of municipalities in the region.
- The development of a municipal credit program in Poland was the focus of a nation-wide effort assisted by USAID consultants. While there was still no operational municipal credit system in Poland at the time of the evaluation, a USAID housing guarantee (HG) loan and a World Bank loan for municipal infrastructure have been approved and the government has created a Municipal Development Authority (MDA). Among its other responsibilities, the new MDA is charged with developing a municipal credit system. The executive director of the Authority has been appointed and is energetically carrying out initial mobilization activities.

- The design of a prototypical valuation-based property tax system was undertaken by a Polish real estate institute, working with the aid of US consultants from National Economic Research Associates. They developed the basis for national legislation establishing a valuation-based property tax system. Central government officials indicated to the evaluators that prospects are good for implementation of this important form of local resource mobilization in the near future.

A number of other activities covered in this evaluation and a previous review (focused on Democracy Initiatives projects in Poland and Bulgaria) included attention to financial management matters in the context of a broader scope of activities or as a topic within training programs. It appeared clear to the evaluators that both local officials and USAID personnel in the region agreed that high priority should be focused on assistance in this category.

(2) Human Resources Management

Upgrading the knowledge and technical capabilities of municipal managers and workers is another topic of great importance. Of the assistance activities examined within this evaluation, none focused directly or principally on this topic, however, several activities had human resources development components including: assistance to the housing department of the city of Szolnok, Hungary; Local Environmental Management (LEM) project activities both in Poland and Hungary; housing privatization activities in Bulgaria; and the work of Jan Winters, the long term advisor stationed in the city of Krakow. Mr. Winters became involved in many municipal activities during his two-year stay in Krakow, but clearly one of the most significant was the educational value of his presence and experience to the members of the city's governing board.

Phase I of the evaluation contained several important human resources-strengthening activities, including:

- The work of Rutgers University and the Polish Foundation in Support of Local Democracy (FSLD) in training Polish officials.
- Activities involving visits and internships in the US in Milwaukee County (for Polish officials) and at the University of South Carolina (USC) (for Bulgarians).
- The provision of US city managers to advise the mayors of Bulgarian cities, carried out through the USC.

In order to extend the reach of assistance in upgrading human resources management, it appears essential to support and strengthen (or, in some cases, even to create from scratch) local training and technical assistance resources. The work of USAID with the FSLD in Poland appears to be a model well worth emulating in other countries, when local circumstances make this feasible.

(3) Intergovernmental Relations

Throughout Central and Eastern Europe, local government is a relatively new and weak participant in the intergovernmental structure. The centralizing tendencies of 40 years of Communism only further emphasized the previous environment which had little local home rule tradition in most cases. For these countries, USAID has (correctly, in the view of this evaluation team) seen strengthening local government as a major means of strengthening democracy.

No matter how strong local government can be made, however, realistically it is still likely to remain dependent for much of its resources and authority on central and/or regional governments. This places intergovernmental relations at the forefront of local concerns. However, the fact that in most of the countries covered by this evaluation the governments in power have, at best, very restrained enthusiasm for strengthening municipal governments (indeed, in some countries, they have declared their direct opposition to enhanced home rule) makes USAID's task a difficult one.

One of the major USAID responses has been to work with associations of municipal governments or to help create them where they do not already exist. These efforts include:

- The efforts of the resident NGO advisor who works with municipal associations in Bulgaria have proven to be of strategic importance. USC resident advisor Bob Maffin suggested that a group of mayors work together in an informal coalition formed around an issue of common concern. This approach succeeded in an environment where two years of effort to form a new association had been frustrated by political differences among the mayors.
- In Poland, the International City/County Management Association (ICMA) and the Conference of Mayors, supported by USAID, have helped strengthen the Association of Polish Mayors, one of five municipal associations in that country.

Other USAID assistance efforts, while not specifically designed as intergovernmental efforts, have had very positive impacts in that regard:

- The Water and Sanitation for Health (WASH) work with local officials and regional authorities on restructuring of water and wastewater delivery systems and pricing in Slovakia is one such example. As the evaluation team was visiting Slovakia, cabinet-level discussions were taking place regarding the nature of municipal government responsibilities in a revised system of water and wastewater management. The WASH consultants played an important role in informing the discussions at local, regional, and national levels.

- Spurred on by the WASH consultants and with strong local government support, the Trencin regional water/wastewater body (part of a larger regional/national entity) developed a proposal for a separate, privatized water enterprise. While the effort attracted enthusiastic local backing, it appears unlikely to gain national approval. Nevertheless, it helped provide a useful base of experience to local officials.

Two other activities included in the scope of this evaluation also had potentially useful intergovernmental effects:

- The evaluation team did not visit sites in the depressed Borsod County area of Hungary where USAID is supporting a project entitled Regional Approach to Domestic Sewage Collection/Wastewater Treatment, nor were we able to talk with the WASH consultants in Hungary; however, the Regional Inspectorate gives credit to WASH for convincing eleven municipalities to focus on regional solutions to their problems, rather than trying to develop more expensive individual approaches.

- In another activity, the River Basin Planning and Priority Water Pollution Control Assistance in Bulgaria, the work of WASH consultants has reportedly led to regional cooperation among local governments and the creation of the Yantra River Basin Council as a vehicle for finding common solutions to environmental problems and developmental issues.

Throughout the four countries, however, the evaluation team sensed moderate to considerable frustration on the part of USAID staff and consultants with the difficulty they were experiencing in persuading central government ministries and agencies to provide greater assistance and discretion to local governments. This is likely to prove an equally difficult problem in the countries of the NIS and elsewhere in Eastern Europe as well.

(4) Service Delivery Improvement

Local governments perform functions other than service delivery; however, a local government incapable of delivering basic municipal services to its residents can hardly be considered to be

performing adequately. It has, therefore, been appropriate that many USAID assistance efforts have focused on improving the quality and responsiveness of local services. In the view of the evaluation team, however, an important aspect evaluating the effectiveness of service delivery-focused assistance was whether it seemed likely to have spin-off effects on other local government functions or on other municipalities.

Among the activities we reviewed, a number focused on housing, an important concern of local government and a subject on which USAID has worldwide experience:

- Housing Policy Technical Assistance and Housing Strategy and Privatization in Szolnok, Hungary are two closely related activities focused on the rent structure and asset management process in municipally-owned housing. They address such issues as how to raise rents to cover more of the operating costs while protecting low-income tenants through internal subsidies. Positive effects on municipal confidence and management capability were evident and there appears to be at least a modest potential for replication of the effort elsewhere in Hungary.
- Communal Housing Management and Privatization Assistance in Poznan, Poland. The Poznan municipal housing agency, with limited technical assistance from USAID consultants, has been actively improving its management practices (such as rent collection and fee-setting) and privatizing housing units. The agency appears to be effective and works closely with the rest of municipal government but does not appear to have had much impact on general government operations.
- Private/Public Partnership Housing Development Demonstration Program in Stara Zagora, Bulgaria involves technical assistance to the city on a competitive process of selecting a contractor to complete unfinished shells of residential structures owned by the city. The principal impact on Stara Zagora, beyond the potential for some additional housing, was in learning how to carry out a competitive bidding process.
- The evaluation team did not visit specific sites in Slovakia where housing privatization work is under way in an activity entitled Housing Privatization and Management Assistance. Our discussions with the OAR personnel and a Slovak consultant indicate, however, that significant steps are being taken to privatize and upgrade management of municipally-owned housing in several Slovak cities, with care being taken to avoid the spotty patterns of apartment sales that have proved to be a problem in other countries in the region.

- Training for Resident-Owner Associations in Slovakia. As in the previous case, we did not visit specific sites where this training was underway, but we did meet with a local consultant working on the program and saw evidence (including an excellent film) of its operations.
- The LEM project activities examined by the evaluation team focused on two different topics of municipal service delivery: water management in Poland and solid waste management in Hungary. In both countries the program appeared to be quite effective in improving the ability of the local government to deliver services and has helped eliminate unnecessary expenditures.
- The Wastewater Treatment Assistance activity in Zabice, Poland, has raised the awareness of municipal residents concerning a range of environmental issues, carried out useful training, and given the municipality confidence to operate its wastewater facility as well as to extend its expertise to rural parts of its jurisdiction.
- As in the case above, the USAID-supported Wastewater Treatment Assistance in Namyslow, Poland was reported by city officials to have been very helpful. It appears that as a direct result of the presence of USAID consultants, the city of Namyslow saved money by following the consultants' advice not to construct an unneeded addition to its wastewater facility.
- A private company has been retained to carry out the LEM-assisted efforts to upgrade solid waste management in Gyor, Hungary. The same company also subcontracts other municipal services (such as street cleaning). The company appears well organized and managed.
- The economic conditions in the city of Ozd, Hungary, are so severe that they are likely to be difficult to overcome. Nevertheless, the evaluation team was favorably impressed by the depth of city officials' apparent understanding of the work the LEM experts did with them. Despite difficult economic conditions, the city has already made modest changes in line with recommendations the LEM experts made.

Other consultants have also assisted in similar service delivery improvement activities.

- In Banska Bystrica, Slovakia, the main thrusts of an Urban Institute activity entitled Sanitation System Strategy apparently focused on "quick fixes" to current sewer problems and development of a strategy to retain fines paid by local industries for pollution violations to use in upgrading the local water pollution treatment system. Although the national government rejected the proposal for use of the

finances, at least for the foreseeable future, the consultant's recommendations have helped to raise awareness, at the central government level, of the need for resources at the local level.

In most of the four countries covered by this evaluation, steps have already been taken to privatize the collection of retail stores and service establishments that reverted to local control as a result of national action to reverse Communism. However, in Bulgaria these efforts are still in their infancy. As a result, USAID has assisted municipalities to address the problem:

- The evaluation team reviewed the municipal privatization activities that have taken place in Plovdiv, Bulgaria, with the assistance of USAID-supported consultants from the KPMG Peat Marwick Company (KPMG). The consultants apparently have been relied upon to a great extent to train local valuers and monitor values placed on the properties to be auctioned. To some degree the heavy reliance on the consultants may have been a mild deterrent to municipal officials of the City Council or of the Municipal Privatization Agency taking a more hands-on role in this process, as some other municipalities have done in the absence of USAID-supported local consultants. However, it is clear that the staff of the Plovdiv agency has gained experience and is confident that they can continue the process unassisted and even show other municipalities how the process works. The second phase of this activity, just begun, will be an important test of the consultants' ability to help the city of Plovdiv (and other municipalities) to privatize operational enterprises which is far more complicated than the relatively simple auctioning of properties during the initial phase.

b. Other Assistance Efforts

The scope of concerns of local and central government in Central and Eastern Europe is extremely broad. Correspondingly, USAID assistance has also extended over a very broad range of subjects. A number of the activities covered in this evaluation had as their principal focus matters other than the four high-priority local government concerns discussed in the previous section. This does not necessarily mean that they were of low value to the organizations, programs and communities assisted. However, USAID should consider carefully the consequences of including such activities within a program specifically designed to assist local government if this program will, in the future, be judged solely or primarily on the basis of its impact on how local governments function.

These other activities included:

- Low Emissions Energy Project in Krakow, Poland. This project can have positive impact on the municipality of Krakow if the private sector work (supported through the Department of Energy (DOE)

with USAID funds) results in the kinds of inexpensive innovations anticipated. The ready availability of this new technology could lead to increased adoption of energy-saving and less-polluting heating. However, the various tax incentives examined under the early phases of the project appear unlikely to have much effect on the speed with which the new technologies are implemented, simply because: 1) the city's ability to give tax breaks is severely limited; and 2) the potential savings to customers is too small to be an effective incentive.

- Efficiency Resources Assistance in Handlova, Hungary. Through this activity, USAID-supported consultants (arranged by the DOE) are helping the city of Handlova assess ways of providing future energy as the current system continues to deteriorate and central subsidies are ending. While useful in considering options, concrete results that help the city address its heating problems are likely to be modest due to the many constraints under which the central heating plant operates.

2. FINDINGS REGARDING COMPARATIVE EFFECTIVENESS BY MODE OF ASSISTANCE

The evaluation team observed a number of different modes of delivering technical assistance in the four countries visited (see ANNEX 4). While each instance was to some degree related to the country's level of development and to the particular circumstances and resources of each consultant, the following overall observations were drawn as to the comparative effectiveness of various modes of assistance.

a. Long-Term Resident Advisors

We saw only one example where a long-term resident advisor worked in a particular local government on a full time basis: the work of ICMA advisor Jan Winters in Krakow. We conclude that this mode of assistance can be quite effective when the position is filled by a highly motivated and experienced individual. However, when we questioned Krakow officials as to whether or not they considered the use of long-term resident advisors to be the most useful approach, nearly all responded that they did not prefer this mode of aid. They noted that the pressures under which they operated meant that they had little time available to spend with the advisor and this meant that they often could not make efficient use of the assistance. From the point of view of USAID, this was also a costly and intensive investment of scarce resources, although in this case it was also a useful learning experience at a time when there was little US familiarity with urban conditions and needs in the region.

The evaluation team concluded that this mode of assistance, while commendable in the specific instance of Krakow, should not be widely used in Central/Eastern Europe although it may, in certain instances, be relevant in the NIS.

b. Recurrent Short-Term Advisors Coordinated By A Resident Advisor

This is an approach that has come into widespread use in several of the countries included in the evaluation (especially Hungary and Bulgaria). The combination of a long-term US resident who can gain a broad base of experience (such as Katie Mark in Hungary, Michael Hoffman in Bulgaria and William Sommers on the LEM project in Poland and Hungary) with short-term visits to specific municipalities or sites by a series of recurrent advisors appears to be both a cost-effective and sensible use of scarce resources.

This combination is likely to be of particular relevance with regard to the relatively small number of large municipalities in the four countries. Different approaches, such as working through municipal associations and indigenous training and technical assistance organizations, appear to be more appropriate with respect to the thousands of smaller municipalities in most Central/Eastern European countries.

c. Recurrent Short-Term Advisors

In a number of instances observed by the evaluation team, we found this mode of assistance to be effective and responsive to local needs, even in the absence of a long-term in-country advisor.

This mode of assistance appears to have been effective even in the one instance which we examined (the Warsaw Urban Planning and Economic Development Assistance) where its impact on the city was minimal. In this case, we believe that the mode of assistance was effective and that the lack of impact on the city can largely be attributed to the dearth of local counterparts within the city administration and to the effect of electoral change in the city's leadership. Initially, a core group of Polish consultants provided continuity for the visiting expatriate consultant and the intention was to incorporate them into the municipal administration at the end of the assistance effort. Unfortunately, when the city administration changed, this core group was dispersed and virtually nothing remains of what appeared to be an exceptionally fine piece of work.

With the cautionary note that counterparts are essential to sustainable impact, the evaluation team recommends the use of this mode of assistance as appropriate to many situations in Central and Eastern

Europe. This approach seems to be particularly effective when there is some form of continuing field coordination present (in the form of a long-term advisor).

d. Non-Recurrent Short-Term Consultants

The evaluation team saw little usage of this mode of assistance in the activities examined. One time, short term assistance is most useful when a municipality has a clear sense of the need for a specific type of technical assistance, such as training in the use of a particular computer software program, and should be used only when there is some means of assuring that proper contextual briefing has been provided to the consultants so that their expertise can be useful to the clients.

e. US-Based Training and Internships

While the current phase of the evaluation did not directly include review of this mode of assistance, in Phase I of the evaluation, which was conducted by the same consultant firm, it was concluded that this high unit cost approach (due primarily to the associated travel costs for participants) should only be used in very limited circumstances. The need for such an approach seems no longer present in countries like Poland, Hungary, and Slovakia where many municipal officials already have firsthand knowledge of conditions in other European countries and in the US. It may still be relevant in Bulgaria and is potentially of great significance to assistance programs in other countries of Eastern Europe and the NIS where exposure to the outside world has been more limited.

f. In-Country Training (Including Training of Trainers)

Based on observations in Phase I of the evaluation (especially in Poland), USAID support for locally-based training and technical institutions is likely to be the most cost-effective approach to achieving impact in a large number of small to medium-size municipalities. Utilizing this mode, however, may require considerable investment of time and resources to strengthen or even create from scratch one or more competent and appropriately-oriented indigenous training institutions. For such programs to be sustainable, there must be a strong demand for new skills and management tools among local governments and a willingness to pay for the services. Indigenous training institutions must learn to accurately access their markets and to deliver cost effective training services.

C. RECOMMENDATIONS

1. RECOMMENDATIONS REGARDING LOCAL GOVERNMENT PROGRAM DEVELOPMENT

Based on what the evaluation team observed during this program evaluation, the following recommendations are presented for USAID's consideration:

a. USAID should give highest priority to three systems that are of the greatest relevance to strengthening local government: fiscal management (including resource mobilization); personnel management; and intergovernmental relations. Improving service delivery is also important, although it is likely to prove harder to assure transferability.

It is important for USAID, at this stage, to review its focus more systematically. Efforts are already being devoted to all three of the high-priority categories, although in too many places they appear to be sporadic, scattered and non-systematic (except in Poland where the fiscal and personnel management dimensions have been carefully thought through). At this point, USAID has enough experience to be able to address its assistance efforts to such high priority matters as budgeting and resource mobilization. While it is also important to address issues of service delivery, we view them as having a somewhat lower priority in that their impact on how local governments operate is less widespread. It is also vital to be certain that the concerns addressed are broadly relevant to many municipal governments and that there is likely to be transferability of techniques and results.

b. The use of the same short term advisor(s) on a recurrent basis or a resident advisor serving several municipalities seems to be the single best choice for providing technical assistance to local government.

While many different modes of technical assistance can be (and have been) used effectively in different settings, the evaluation team found that one mode, the recurrent visits of the same short term advisor, seemed to be the most cost-effective and relevant in a wide variety of different interventions addressing local government issues. Where this approach could be combined with the in-country presence of a long-term resident to coordinate and direct the efforts, the effect was generally much enhanced.

c. The content, objectives and scope of USAID's local government assistance program needs continuing refinement and definition.

The Agency's recent strategic planning effort is a positive move in this direction. Through meetings and discussions with each OAR, we hope that this evaluation has contributed to the effort.

d. Greater program development and strategic planning authority for the Office of the USAID Representatives will improve country programs coordination and enhance effectiveness.

Country program coordination was a considerable challenge for many of the activities covered by this evaluation because of the fact that most were begun as independent activities at a time when there was virtually no USAID presence in the field. Where such coordination occurs at the field level, overall efforts tend to be enhanced. While the team's visits were brief, the experience we gained through field trips to Poland and Bulgaria during two successive evaluations indicated that the degree of coordination is improving rapidly now that more responsibility is being allocated to in-place USAID offices.

e. The OAR's direct contacts with key central government ministries need to be strengthened in some countries and maintained or re-established in others as OAR personnel change..

Establishing and maintaining or re-establishing (as OAR personnel changes occur) on-going regular contact between the OAR's staff and key central government ministries is critical to the success of a local government program even where contacts with local governments are already strong. The centralized experience of Central and Eastern European countries, combined with the still-strong centralizing tendencies of many of the governments at this time, makes this an important challenge for USAID.

f. Regional or multi-municipality projects, if properly focused, can have a direct and important impact on issues that affect local governments within a country or even across different countries.

The fact that in three of the countries covered in this evaluation (all but Bulgaria) there are thousands of small municipalities means that technical assistance in most instances must be designed in ways that allow it to be replicated by local means. The Bulgarian program proposes direct assistance to 10 municipalities and incorporates opportunities for sharing information and techniques for widening participation. While this approach appears reasonable for Bulgaria, in most other countries, the use of municipal associations and indigenous training institutions appears to be among the most useful approaches.

g. Although enhanced OAR responsibilities are recommended as a means of improving country program coordination, there should be continuing participation by USAID/W to assure access to program specific or sectoral expertise, avoid replication of efforts and maximize information sharing across the region.

While it appears clear that the increasing shift to field responsibility is a positive move, there continues to be a clear need for assistance that can only come from Washington.

2. RECOMMENDATIONS REGARDING FUTURE PROGRAM EVALUATIONS

Based on the evaluation team's recent experience, we present the following recommendations for USAID's consideration in planning future evaluations:

a. Program-oriented evaluations require very careful definition in advance.

It is essential to define carefully and precisely the content of the program to be evaluated and what dimensions of the activities in the program are to be assessed. (This is a more difficult task for programs than for project evaluations as the definition of a project is, in general, precisely known at the outset and the boundaries of the evaluation are clearly circumscribed.) In the case of the current evaluation the "local government program", within whose parameters the various activities were to be evaluated, was not fully defined at the outset of many of the activities. In addition, those responsible for many of the activities to be evaluated did not consider their work to be part of such a program.

b. Minimum standards and conditions need to be established to assure the validity of a request for a program evaluation.

At a minimum, one basic criteria for any evaluation is that some concept of what is to be evaluated be included in the design of the activity at the beginning, not after they are complete (or far advanced). This was not the case with the current evaluation. While it may be instructive to review a set of activities not previously defined as a program in order to determine what can be learned from those activities and used in the shaping of future programs, such an exercise should not be construed as an evaluation of those activities.

c. Allow sufficient field time for the evaluation.

One week in a country is not sufficient time to properly evaluate even a few activities within the context of a country program. Ideally, the evaluators should be able to visit the activities being scrutinized more than a single time and for sufficient time to obtain several different perspectives and become reasonably familiar with other on-going activities. In the case of this evaluation, the one-time nature of the effort, combined with the very large number of complex activities included in the scope of work, meant that the evaluation team had very little opportunity to gain in-depth knowledge of the activities being undertaken in four very different countries and many different sectors of activity.

UNITED STATES OF AMERICA
AGENCY FOR INTERNATIONAL DEVELOPMENT

1. Country of Performance: EE Advisory/Asst. Services Yes / / No /X/
2. Indefinite Quantity Contract PCE-1008-I-00-2066-00, Delivery Order No. 17
(Incorporating FAR and AIDAR Clauses)

NEGOTIATED PURSUANT TO THE FOREIGN ASSISTANCE ACT
OF 1961, AS AMENDED, AND EXECUTIVE ORDER 11223

3. CONTRACTOR (Name and Address): > 4a. ISSUING OFFICE:
First Washington Associates, Limited > Agency for International Development
and Technical Support Services, Inc., > Office of Procurement, M/OP/ENI/EE
Joint Venture > Washington, D.C. 20523-1415
1501 Lee Highway, Suite 302 > 4b. ADMINISTRATION OFFICE:
Arlington, VA 22209 > Agency for International Development
TIN: 52-1152061 > Office of Procurement, M/OP/ENI/EE
CEC: 11-429-4125 > Washington, D.C. 20523-1415

5. CONTRACTING OFFICER TECH. REP: > 6. PAYING OFFICE SUBMIT INVOICES TO:
Agency for International Development > Agency for International Development
Thelma Furlong, ENI/PCS/PAC > M/FM/CMP, Room 700, SA-2
Washington, D.C. 20523 > Washington, DC 20523-0209

7. EFFECTIVE DATE: > 8. ESTIMATED COMPLETION DATE:
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9. ACCOUNTING AND APPROPRIATION DATA:
Amount Obligated: \$135,216 PIO/T No.: 180-0249-3-562-3604
Ceiling Price: \$135,216 Project No.: 180-0249
Appropriation No.: 72X1010 Budget Plan Code: WAIX-95-32180-IG-12
Allotment No.: 184-62-180-01-69-51

10. The United States of America, represented by the Contracting Officer signing this Order, and the Contractor agree that: (a) this Order is issued pursuant to the Contract specified in Block 2 above and (b) the entire Contract between the parties hereto consist of this Order and the Contract specified in Block 2 above.

11a. NAME OF CONTRACTOR: First > 11b. UNITED STATES OF AMERICA
Washington Assoc. Ltd, and Tech. >
Support Services, Inc. Joint Ven. > AGENCY FOR INTERNATIONAL DEVELOPMENT
BY: (Signature of authorized individual) > BY: (Signature of Contracting Officer)

TYPED OR PRINTED NAME: > TYPED OR PRINTED NAME:
ALBERT L. MASSONI > Sharon L. Zavestski

TITLE: > TITLE:
EXECUTIVE VICE PRES. > CONTRACTING OFFICER

DATE: 12/27/94 > DATE: 12/28/94

ARTICLE I - TITLE

Audit, Evaluation and Project Support, Number 180-0249; Phase II Local Government Project Evaluation for Bulgaria, Poland, Hungary and Slovakia

ARTICLE II - OBJECTIVE

The purpose of this Delivery Order is to obtain the services of a qualified organization to provide Phase II of an objective, formal external evaluation of past and ongoing activities of the local government assistance program in Poland, Slovakia, Bulgaria, and Hungary.

ARTICLE III - STATEMENT OF WORK

A. BACKGROUND

From World War II until 1989, the people of Central and Eastern Europe (CEE) lived under a highly centralized system in which most decisions were made at the central government level. While local authorities under Communism were tasked with carrying out certain responsibilities, they lacked discretionary authority. Though mitigated somewhat by the power of local Communist Party officials, the central government determined both the priorities and the methods for carrying out programs. Local governments were merely implementers of central government policies and programs. Citizens were not given power to make decisions about the services that affected their daily living conditions -- that is water, sewers, housing, environment, etc.

During the past four decades, environmental conditions in CEE also steadily deteriorated. Power generating facilities and industries with inadequate environmental controls have released vast quantities of pollutants into air, water, and soils, impairing human, ecological, and economic health. Energy-intensive and inefficient economic development strategies have led to the unsustainable use of important natural resources. Governmental capacities to implement and enforce environmental laws and regulations have been hampered by overly centralized environmental bureaucracies and a lack of political will to protect the environment.

Immediately following the revolutions of 1989, most of the CEE countries began to establish decentralized governmental systems in which democratically-elected local governments have become increasingly responsible for urban services and for the future of their communities. The focus on local government is therefore driven by two forces: (a) greater democratic participation through decentralization of power and responsibility; and (b) increased efficiency/accountability in

the provision of urban services (and housing) through local leadership.

The Local Government component of USAID's CEE Housing and Urban Development Program assists in the decentralization process by exposing host country national/local officials, urban professionals, legislators, developers, realtors and others to municipal development and management approaches as practiced in market-based economies. U.S. Assistance focuses particularly on land management and development, urban infrastructure, municipal finance, and housing privatization and maintenance.

Having lacked real authority for so many years, local CEE governments are now just beginning to develop their capabilities. Many of the activities taking place under the Local Government Component are, therefore, intended to assist local governments in understanding and developing the skills needed for resetting their new responsibilities. This "capacity building" takes place through technical assistance, direct training, participation in conferences and workshops, dissemination of information and materials and observational tours to cities elsewhere in the CEE region and in the U.S.

As power and responsibilities are decentralized, these local governments are becoming responsible for the tasks of government that most directly affect citizens. It is at this local level that the fruits (or failures) of democracy are most visible, and therefore, most critical. The U.S. Agency for International Development (USAID) began supporting this transition in 1990 with development of local government assistance activities that are tied integrally into the three overall goals set by Congress for strategy in CEE: promoting economic restructuring; supporting stable democracies, and improving the quality of life.

B. INTRODUCTION

In the Phase I Local Government Program Evaluation in May-July 1994, a Technical Support Services (TSS) team evaluated the impact of assistance (mainly training) that was funded by USAID under its CEE democracy initiatives. A three member team to be selected with experience in environment, NGO, urban planning and economic development, institutional building, city management and municipal finance will conduct the Phase II evaluation of USAID's other four sectors of local government program assistance in CEE: environment, energy, housing and other privatization assistance. This team will then write a summative evaluation report that covers all local government program assistance evaluated in both Phases I & II. Background on each of the sectors of local government assistance that will be evaluated in Phase II is provided below.

In May 1994, as part of an overall reorganization, USAID's former Bureau for Europe (EUR) and its Task Force for the New Independent States were merged into one organizational unit, the Bureau for Europe and the New Independent States (ENI). At the same time, the divisions for energy, environment, and housing and urban development were also merged under the ENI Office of Energy, Environment, and Urban Development (ENI/EEUD). The primary of this decision was to improve coordination and synergy among these different, yet complementary programs. Until this time, program activities in these sectors coordinated on more of an ad hoc basis, even though we CEE local government activities in these sectors plus democracy were also under one office under the former EUR.

Environmental Assistance to Local Government

In 1990, the former Environment and Natural Resources Division of USAID's EUR Office of Development Resources began providing assistance in CEE. Several activities were established to provide assistance to national, regional, and local governments, the private sector, and non-governmental organizations (NGOs). The environment division targeted its assistance to environmental hot spot regions within each country. While the environment assistance activities cannot be entirely separated into national vs local projects, there are three activities in particular that have provided significant assistance to local governments. These include the following: (1) The Local Environment Management Project (180-0039); (2) The Water and Sanitation for Health Project (180-0039); and (3) The Environmental Training Project (180-0039).¹ What follows is a brief description of the LEM and WASH Projects.

Local Environmental Management (LEM) Activities. On July 31, 1991, a Request for Proposals (RFP) was issued soliciting proposals for a competitively awarded Local Environmental Management (LEM) contract to strengthen sub-regional public sector institutions activities to manage environmental problems and deliver environmental services through carefully targeted technical assistance and training programs. The RFP described stated that the LEM project would place one long-term and several short-term personnel in the field to assist host countries with specific technical, institutional, managerial, and financial problems related to the environment. Assistance would be provided to countries, provincial, district, county, and local level governments.

¹ Activities being implemented under the Environmental Training Project (ETP) will not be covered under this evaluation. A similar mid-term, external formal evaluation is being conducted for this project; the results of which will be incorporated into this Local Government Evaluation.

In response to this solicitation, a three-year \$4.2 million contract was awarded to the Research Triangle Institute (RTI). The contract began on July 7, 1992 and terminates on July 7, 1995. RTI has two major subcontractors: the International City Management Association (ICMA) and the Eastern Research Group (ERG).

The LEM Activity assists selected local governments in Poland and Hungary to strengthen their ability to manage local environmental problems by assisting them to solve technical, management, and financial solutions for specific environmental problems. The LEM Activity's purpose is threefold:

- (1) to demonstrate the extent to which local governments in Poland and Hungary can effectively manage their environmental problems if given adequate and consistent support;
- (2) to assist selected municipalities in producing reliable and technically acceptable environmental action proposals and to present these proposals to national and international funding agencies; and
- (3) to disseminate the results of pilot activities to other municipalities through workshops, manuals, etc.

The LEM project manager is also responsible for referring other municipal requests for technical assistance that cannot be supplied by LEM to various other USAID supported projects that may be able to provide the needed information, data, or assistance.

LEM assists five client municipalities in Poland (Ziebice, Swieta Katarzyna, Miedzna, Nowa Sol, and Namyslow) all of whom have chosen waste water activities as their highest priority. In Hungary, three of LEM's four client municipalities (Gyor, Ozd, and Edeleny) have chosen solid waste and one (Sajoszentpeter) has chosen hazardous waste as specific emphasis for activities.

The first six months of assistance, from July 1992 to January 1993 were spent on developing a more appropriate work plan than that in the original RFP. The revised work plan was based on two extensive field trips to Poland and Hungary in the fall of 1992. The USAID representatives and the Housing Office in USAID's Private Enterprise Bureau (PRE/H) participated fully in the design of the revised work plan which was approved by the EUR/DR/ENR in January 1993. The LEM Project Manager took up residence in Krakow, Poland, in February 1993 and began field operations in both Poland and Hungary.

Since that time, LEM has assessed proposed actions in nine municipalities, held several workshops with municipal, regional,

and national officials to review these assessments and formulate follow-up action plans, and developed a training strategy and a 1994 work plan which was approved by USAID in January 1994. LEM also prepared a baseline assessment of conditions in the municipalities on line with the monitoring and evaluation criteria outlined in the January 1993 revised work plan in order. Impacts can be measured by the evaluation team against this baseline data.

Water and Sanitation for Health (WASH) Activities. In 1991, a cooperative agreement was established with Camp, Dresser, and McKee as a buy-in to USAID's Agency-wide Water and Sanitation for Health Project. In FY 92 and 93, USAID assessed major sources of water pollution in a tributating river basin in each of the countries bordering the Danube River; developed a priority ranking of possible pollution control activities in these river basins; and prepared pre-investment studies on high priority activities suitable for consideration by potential donors and investors. Selection criteria for ranking investment proposals included likely impacts, affordability, political willingness to proceed, and cost-effectiveness. These activities are focused on the following river basins: Bulgaria - Yantra River; Romania - Arges River; Slovakia - Hornad River; Hungary - Sajó River and lower third of Hernad River. Phase II activities were summarized in a Basin Report for each of the Danube River countries.

Assistance efforts in FY 94 are more focused on country-specific investments. The overall objective of these efforts is to build institutional capacity for effective environmental management in the water and waste water sectors and support investment by international financial institutions in environmental infrastructure that will help mitigate serious human health and environmental problems. During USAID/W preparation for fieldwork, the evaluation team will determine whether sufficient assistance has been given to local Governments, e.g. in Bulgaria, to warrant including site visits in the evaluation fieldwork.

Energy

The Local Government evaluation team will assess the extent to which pilot energy activities in Krakow, Poland and Handlova, Slovakia have strengthened local government capacity to deal with energy efficiency, pollution control, and related policy and fiscal issues. A separate evaluation team in fall 1994 will evaluate the technological aspects of these and some other CEE energy assistance activities.

The Support for Eastern Europe Democracy (SEED) Act of 1989, directed the Department of Energy (DOE) to undertake two initiatives: The Clean Coal Retrofit Project (CCRP) and the Equipment Assessment Project (EAP). Under an inter-Agency

agreement with USAID, the implementation of the two projects has been designed by DOE as an integrated strategy to address the major pollutants that affect the ambient air quality, as well as damage to historical monuments and other structures in the city of Krakow. Both projects were designed to serve as prototypes that could be replicated throughout Poland and elsewhere in eastern Europe. The first initiative involved a demonstration of U.S. technology to control SO₂ at one unit of a power station in the Krakow region. The second initiative focused on cost-effective approaches to the control of emissions from low level sources such as boilers and furnaces in the city of Krakow. Since the responsibility for the actual cleanup rests with the residents of Krakow and other cities of Poland, the focus of attention has been to identify cost-effective approaches to pollution control. DOE provided assistance to Krakow to support the implementation of five pilot projects that were designed to measurably improve the environment and illustrate the application of free market principles to accomplish pollution control. Each pilot project required the purchase of equipment and services from U.S./ Polish joint venture organizations by organizations in Krakow.

The Town of Handlova in the Slovak Republic needed to consider options for providing energy services to its citizens in order to lower their energy bills and reduce pollution created by the burning of low quality brown coal. The end of the useful life of its existing central heating plant was approaching and it needed to be replaced. Thus the town needs to evaluate alternative solutions for providing its citizens with thermal energy at the lowest possible cost and pollution levels. In the summer of 1993, USAID agreed to fund an assessment of the options for providing heat to buildings in the Town of Handlova. The assessment was funded through DOE's Office of Energy Efficiency and Renewable Energy (EE) and it was conducted by the Pacific Northwest Laboratories (PNL) and its subcontractors Tecogen (a U.S. based energy research and development firm) and EGU (a Slovak Energy Research Institute).

Housing

In mid-1990, the EUR/DR Housing Division began providing assistance in the CEE, in cooperation with USAID's Agency-wide Office of Housing and Urban Programs. World-wide contracts, which were already in place, were initially utilized to carry out the work. Then in 1991 three related CEE specific Requests for Proposals (RFP) were issued seeking qualified contractors to provide technical assistance and training services in the fields of housing and local development. As a result of this competitive process a three year \$14.1 million Local Government and Housing Privatization contract was awarded on 4/30/92 to a consortium of organizations led by the International City/County Management Association (ICMA). Under this contract, the ICMA

consortium which includes the Urban Institute, the Urban Land Institute, the National League of Cities (and other secondary organizations) provides long and short-term assistance to local and national CEE governments, particularly in: (a) local government policy and program development and operations regarding housing and urban services; (b) relationships between local authorities and the private sector in provision of shelter and urban services; (c) assistance in the building of institutional capacity for the support of shelter production and the provision of urban services; and (d) policy development and implementation of programs to privatize existing housing stock.

The ICMA Contract is implemented through a Request For Services (RFS) system. First USAID Project Managers inform the Contractor (in writing) about the nature of the technical assistance, training, advisory or other services required; the level of effort to be expended; and the time period required. The Contractor responds by proposing a budget and the names of specific professionals to undertake the work. As of April 1994, the ICMA group has provided (or committed itself to provide) more than 500 professional person months of assistance in response to some 90 Requests for Services covering all of the major countries of the CEE region. To assure that the Contractor can predict demand for its services and prepare for its work, it collaborated with USAID in the development of country-specific work plans.

This evaluation will concentrate on assistance provided by ICMA in Poland, Hungary, and Slovakia. In each of these countries, ICMA and its associates have worked at both the national and local levels. From the contract's inception until April 1994, USAID issued 23, 14 and 22 RFSs respectively in Poland, Hungary and Slovakia (including those issued for combined the Czech and Slovak Federal Republic but which applied to Slovakia). For this evaluation, a total of 10 to 15 RFS assignments will be selected across the four countries for particular review by the evaluation team.

Other Privatization Assistance

Since the passage of the privatization laws in May 1992, the Government of Bulgaria, particularly the Agency for Privatization, has been slow to privatize state-owned enterprises through a case-by-case method. In the area of small scale privatizations, which is controlled by the municipalities, the local interest in promoting privatization appears to be much higher. However, municipal officials, in many cases, do not have the technical expertise to execute a sound privatization program in small or large scale assets.

In 1993, USAID through its contractor KPMG commenced the Kurdzhali Regional assistance activity to help municipalities

sell small properties through competitive auctions, initially in the Kurdzhali region and more recently at other municipalities through Bulgaria. This program, which held its first auction successfully in April 1994 has been welcomed by municipal officials. Assistance has been expanded from four to ten municipalities under the existing budget. There have been numerous requests for assistance from other municipalities and the USAID/KPMG team has identified another ten municipalities to which privatization assistance could be provided in the future. USAID is also working with the Bulgarian-American Enterprise Fund to design post-privatization support services in the municipalities where auctions are taking place. The program is attractive to the municipalities because they control most of the money generated by the auctions and their officials are trained to execute subsequent auctions without further technical assistance. They had legislative authority to privatize.

Experience elsewhere in eastern Europe and the NIS shows that small scale privatization is the most straightforward of the various privatization initiatives for the public to understand. If properly implemented, it can generate early popular support for privatization, particularly as it requires less institutional and financial resources per enterprise. Quick results are likely to occur primarily because the size and the nature of these entities make them the easiest to privatize. The public acceptance for privatization, created by this program at the grass roots level, may make the case for larger privatizations more acceptable to the general public in Bulgaria.

The current Kurdzhali program covers ten cities. Most of this work will be completed by October 31, 1994. During the next phase the program will cover a further ten cities. In particular, the project will focus on those cities with populations above 50,000 which are members of the Association of Democratic Municipalities. This fall 1994 is a critical time to evaluate the impact of this assistance. Each municipality owns a number of larger properties, such as the local department stores, which do not fit into the small scale auction program that was developed under the current Kurdzhali program. The municipalities also control commercial sectors, such as wholesale trade and local transport, which are closely linked to small scale enterprises. The next phase of assistance will enable the USAID/KPMG team to help municipalities to privatize their larger assets and enterprises that fall outside the control of the National Privatization Agency. Technical assistance to the municipalities for larger entities will be provided simultaneously with the small scale program. The objective of the next phase of assistance is to prepare for privatization small businesses and properties, such as retail stores, and medium size enterprises in ten municipalities, to prepare the necessary documentation needed for transfer of ownership, and to conduct auctions, tenders, and any other process necessary to

successfully implement the privatization of such enterprises.

A key component of the existing Kurdzhali program is to provide "on the job" training for local officials and decision makers. Realistically, USAID can only address a small proportion of the total training needs. Sustainable privatization will not occur unless the human resource constraint is addressed and overcome. The primary focus in the next phase of this assistance will be "on the job" training for key local advisors in order to strengthen local institutional expertise, promote self-sufficiency, and widen the impact of USAID's technical assistance. As part of the training program the contractor will produce a "how-to-do-it" manual for municipalities, which will give a practical description of the process and examples of the key documents that can be widely distributed to municipality officials as a book and as a computer disk. In addition, training workshops will be provided.

Success of the privatization program depends on mobilizing support for the privatization concept among key stakeholders, including the general public, domestic and foreign investors, government officials and enterprise employees. The essence of effective public communications is to build and sustain support. The next phase of assistance will include a public communications campaign to use a broad range of media, including TV, radio, call-in shows, print advertising, media relations and telephone hotlines, as well as educational leaflets, posters, banners and other techniques.

C. SCOPE OF WORK

1. Purpose

The evaluation team will provide an objective external evaluation of the impact of USAID's multi-disciplinary assistance to local governments in Poland, Slovakia, Bulgaria, and Hungary. This will include site reviews of activities undertaken by the Local Environment Management activity (LEM), Water and Sanitation for Health (WASH), the Krakow (DOE) Clean Coal Retrofit and Equipment Assessment Activities, the Heating System and Building Sector Efficiency Resources Assistance for the Town of Handlova, (DOE) Local Government and Housing Privatization contract led by the International City/County Management Association (ICMA), and the Kurdzhali Privatization activity in Bulgaria. The evaluation team report will also integrate relevant findings, conclusions, and team recommendations from the Phase I evaluation of USAID funded training for local governments provided under the CEE Democratic Initiatives Project.

2. Issues for the Strategic Program Evaluation

The evaluation team's overriding objectives are fourfold:

(a) to assess and document the cost effectiveness, impact and relevance of technical assistance and training provided to municipalities under all of the activities listed above. (b) to identify lessons learned that should be incorporated into strategies for future assistance in fostering decentralization and strengthening local government's capacity to foster private markets and democracy and provide improved urban, environmental and energy services (c) identify areas of overlap and/or synergy among activities that are being implemented in each sector and recommend improved means for inter-disciplinary assistance design, delivery, and coordination where needed, and (d) recommend whether each activity should terminate as scheduled, and if not, justify any recommendations for continuation in and expansion of specific types of assistance.

3. Team Composition

The team will include three people. All team members should possess local government overseas development experience, excellent quantitative/analytical abilities in addition to superior written/verbal communication skills. Overseas experience, preferably in Eastern Europe, is desirable. Preference will be given to a team with the combined strongest professional environment experience for housing, energy and privatization sector on international development, interdisciplinary skills and experience with the USAID project evaluation process. Fluency in an appropriate CEE language or Russian is highly desirable but not required.

ENI/PCS/PAC reserves the right to appoint a USAID employee(s) to serve as an additional team member, observer, resource person, and/or consultant throughout this process.

The following expertise is required:

- (1) an expert with inter-disciplinary local government program management, urban planning and economic development, and USAID evaluation experience who will serve as the team leader;
- (2) an expert with experience in environment and institution building for non-government organizations and municipalities,
- (3) a city management expert with specialized experience in municipal finance.

The Contractor must certify that there is no conflict of interest with respect to the performance of this assessment on the part of the contractor and each team member selected for this evaluation.

The contractor will guarantee that substitutions cannot be made for individuals selected as team members without the prior written approval of ENI/PCS/PAC. If substitutions have to be made and if ENI/PCS/PAC does not concur in the substitutions, the evaluation will be canceled or postponed at ENI/PCS/PAC's option.

The contractor will also guarantee that approved team members will be available for a minimum of 10 days for reviewing background material and orientation meeting with USAID officials in Washington prior to the field evaluation; a minimum of approximately five weeks field work scheduled to begin in January 1994; a minimum of two weeks for debriefing and draft report preparation; and approximately one week for report completion subsequent to USAID's response on the draft evaluation.

4. Methodology

(a) Prior to departure, the team members will:

(1) review background documents, including

- o project authorizations and RFPs
- o contracts, grant agreements, and relevant Inter-Agency Agreements and their amendments
- o relevant delivery orders executed under umbrella contracts or buy-ins to central projects
- o monthly, quarterly, annual and final technical reports, including relevant trip reports,
- o any relevant previous evaluations and audit reports such as (GAO/IG)
- o minutes from semi-annual reviews (when available)
- o other historical or reference documents, strategies, manuscripts, and deliverables available on project files or from implementors and their counterparts in host countries.

To assist the Contractor in organizing the evaluation, specific housing delivery orders in each of the three target countries have been identified for the housing part of this evaluation as the priority for sites visits. (See Attachment A). During work plan finalization, the contractor will need to confirm that these sites represent the wide range of local government assistance being carried out under the GMA contract.

(b) Schedule appointments, conduct interviews and hold briefings with USAID staff and officials relevant from DOE in Washington; contact relevant USAID project officers to schedule briefings, in Wash, D.C. from U.S. based implementers, and host country participants, key resource persons include ENI Project Officers for Environment, Energy, Housing and Privatization, and ENI Bureau Program Assessment and Coordinations Division Staff..

(c) The contractor will contact relevant USAID/ENI desk officers to obtain country clearances and clearance meetings for proposed in host countries. The evaluation team will propose a detailed work plan schedule to ENI/PCS/PAC at least one week prior to the beginning of the fieldwork.

(d) During the field work, the evaluation team shall conduct an intensive field review of a representative sample of the local government assistance discussed on the background section of this scope of work in Poland, Hungary and Slovakia including meetings with U.S. Embassy and USAID Representatives and their staffs, central and local governments and other relevant donors representatives active in the CEE region (e.g., resident EBRD representatives).

A list of contacts in the U.S., Poland, Slovakia, Bulgaria and Hungary is included in Attachment B. This list will be finalized during the team's USAID/W orientation meetings.

This list is not exhaustive. The evaluation team should feel free to talk with any party it feels is important to this undertaking.

(e) The team members will meet with the USAID Representative, or designee, for orientation in each country at the beginning of the field evaluation and will provide a debriefing on major findings before departure from the country. The evaluation team is to be logistically independent but should obtain AID Rep clearance for its schedule of host government meetings. The team members will present a written and/or oral summary of preliminary findings to the USAID Representatives in each country (Poland, Hungary, and Slovakia) prior to departure.

5. Schedule

The evaluation will start in January 1995. The entire assignment will take approximately 10 weeks of work over a five month period which will include approximately 10 days to conduct interviews and hold briefings in Washington, D.C., finalize the schedule of appointments for meetings in the host countries; and for collection and review of documents, team building, and pre-field interviews with USAID/W officials and implementors in

USAID/W. The field evaluation will require approximately two weeks each in Poland and one week each in Hungary, Slovakia, and Bulgaria for field activities reviews. Following the field work, approximately 10 work days in Washington will be needed for debriefing and draft report preparation; and five work days will be required, after receipt of USAID and implementors feedback, for final report preparation and possible oral presentation to grantees and contractors.

6. Deliverables

a. At least one week prior to departure, the evaluation team will submit a draft work plan to ENI/PCS/PAC for concurrence. The work plan will include (1) recommended country targets, sectoral indicators and measures of performance effectiveness that should be applied to monitor program impact for local government as a sector as well as each activity's contribution to this impact; (2) a proposed method for assessing cost per unit of impact; (3) identification of any important problems or issues; (4) a proposed schedule detailing how the evaluation tasks will be fulfilled and by whom; (5) proposed criteria and questionnaire for interviewing and analyzing feedback from a representative sample of the different types of local government counterparts.

b. Two weeks after the return from the field, the evaluation team shall submit a draft final report to ENI/PCS/PAC for each sector which includes the following:

- (1) analysis of the impact and cost effectiveness of USAID's local government initiatives;
- (2) documentation on any important problems and/or unanticipated effects, (e.g. strategic focus, site selection, replication coordination or other issues) recommended solutions;
- (3) justifies types of assistance (if any) and TA that should be continued or expanded;
- (4) justifies types of assistance (if any) and TA that should be discontinued or postponed;
- (5) where appropriate, recommends new initiatives or complementary assistance to be undertaken in the future to ensure greater impact and justifies assignment of priorities to these and other authorities;
- (6) documents successful impacts to date, and lessons learned that should be applied to future activities;
- (7) recommend under what circumstances each types of assistance might be successful in other country contexts.

Specific issues that the evaluation team must address are discussed in Attachment C.

Immediately after return from the field, draft summary findings and conclusions will be verbally presented to ENI staff at a preliminary briefing. A draft final report will be submitted not later than 14 days following the team's return to the U.S. to USAID/ENI for its review. An ENI bureau review meeting will be scheduled within approximately six weeks after receipt of the draft final report to allow time for field review.

Subsequent to the ENI bureau review meeting, comments will be requested from the implementors. USAID's final comments for USAID and its implementers will be given to the evaluation team within approximately four weeks following the bureau review meeting. Within 14 days of receipt those comments, the evaluation team will complete a final report that responds to comments from USAID and its implementers.

Fifty copies (49 bound and one loose leaf) of the draft final report and fifty copies of the final report (49 bound and one loose leaf), not to exceed 25 pages (including an Executive Summary of findings and conclusions not to exceed three pages) will be submitted by the Evaluation Team to ENI/PCS/PAC for distribution.

The Executive Summary will clearly state the evaluation's major findings, conclusions, and recommendations. An acronym list will be provided at the beginning of the report. The draft and final reports will be presented in hard copy and on a diskette in Word Perfect 5.1 format. Additional material may be submitted in Annexes, as appropriate; including at least the evaluation's scope of work, bibliography of documents analyzed, list of agencies and persons interviewed, and their titles.

Based on the results from the completed evaluation and all other pertinent data, the evaluation team will prepare a brief Project Evaluation Summary. The summary will include major action decisions approved, evaluation abstract, purpose of activity, purpose of evaluation and methodology used, **recommended performance indicators for future work and evaluation plan**, findings and conclusions, and recommendations. The format will be specified by ENI/PCS/PAC. The summary will be submitted at the time of draft report submission and will be presented both in hard copy and on a diskette in WordPerfect 5.1 format which USAID can modify after it decides which recommendations to accept.

ARTICLE IV - REPORTS

As stated in Article III above, and as required under the basic Indefinite Quantity Contract (IQC) No. PCE-1008-I-00-2066-00.

ARTICLE V - TECHNICAL DIRECTIONS

Technical Directions during the performance of this Delivery Order will be provided by ENI/PCS/PAC, Thelma Furlong or her designee pursuant to Section F.3 of the contract.

ARTICLE VI - TERM OF PERFORMANCE

- A. The effective date of this delivery order is January 4, 1995, and the estimated completion date is May 31, 1995.
- B. Subject to the ceiling price established in this Delivery Order and with prior written approval of the COTR (see Block No. 5 on the Cover Page), the Contractor is authorized to extend the estimated completion date, provided that such extension does not cause the elapsed time for completion of the work, including the furnishing of all deliverables, to extend beyond 30 calendar days from the original estimated completion date. The Contractor shall attach a copy of the COTR's approval for any extension of the term of this Delivery Order to the final voucher submitted for payment.
- C. It is the Contractor's responsibility to ensure that the COTR approved adjustments to the original estimated completion date do not result in costs incurred which exceed the ceiling price of this Delivery Order. Under no circumstances shall such adjustments authorize the Contractor to be paid any sum in excess of the Delivery Order. Furthermore, the COTR is not authorized to increase the total number of work days ordered herein, regardless of funds availability.
- D. Adjustments which will cause the elapsed time for completion of the work to exceed the original estimated completion date by more than 30 calendar days must be approved in advance by the Contracting Officer.

ARTICLE VII - WORK DAYS ORDERED

A. Functional <u>Labor Specialist</u>	<u>Work Days Ordered</u>	<u>Burdened Daily Rate</u>	<u>Total</u>
Sr. Urban Planning & Policy Specialist W. Nance	50	\$686.00	\$ 34,300
Sr. Urban Planning & Policy Specialist R. LaNier	43	\$686.00	29,498
Sr. Urban Planning & Policy Specialist D. Grossman	43	\$686.00	29,498

Jr. Coordination Specialist (TBD)	15	\$196.00	2,940
TOTAL 151			\$96,236

- B. Subject to the ceiling price established in this Delivery Order and the prior written approval of the COTR, the Contractor is authorized to adjust the number of work days actually employed in the performance of the work by each position specified in this order provided that such adjustments do not increase the total number of days authorized herein. The Contractor shall attach a copy of the COTR's approval to the final voucher submitted for payment.
- C. It is the Contractor's responsibility to ensure that the COTR approved adjustments to the work days ordered for each functional labor specialist do not result in costs incurred which exceed the ceiling price of this Delivery Order. Under no circumstances shall such adjustments authorize the Contractor to be paid any sum in excess of the ceiling price.

ARTICLE VIII - CEILING PRICE

(1) For Work Ordered	\$96,236
(2) For Other Direct Cost	\$ 38,980
Ceiling Price (1) + (2)	\$135,216

The Contractor will not be paid any sum in excess of the ceiling price.

ARTICLE IX - USE OF GOVERNMENT FACILITIES AND PERSONNEL

- A. The Contractor, and any employee or consultant of the Contractor, is prohibited from using U.S. Government facilities (such as office space or equipment), or U.S. Government clerical or technical personnel in the performance of the services specified in the Contract, unless the use of Government facilities or personnel is specifically authorized in the Contract, or is authorized in advance, in writing, by the Contracting Officer.
- B. If, at any time, it is determined that the Contractor, or any of its employees or consultants, have used U.S. Government facilities or personnel without authorization, then the amount payable under the Contract shall be reduced

by an amount equal to the value of the U.S. Government facilities or personnel used by the Contractor, as determined by the Contracting Officer.

- C. If the parties fail to agree on an adjustment made pursuant to this clause, it shall be considered a "dispute" and shall be dealt with under the terms of the "Disputes" clause of the Contract.

ARTICLE X - EMERGENCY LOCATOR INFORMATION

The Contractor agrees to provide the following information to the Mission Administrative Officer on or before the arrival in the host country of every contract employee or dependent:

- A. The individual's full name, home address, and telephone number.
- B. The name and number of the contract, and whether the individual is an employee or dependent.
- C. The Contractor's name, home office address, and telephone number, including any after-hours emergency number(s), and the name of the Contractor's home office staff member having administrative responsibility for the Contract.
- D. The name, address, and telephone number(s) of each individual's next of kin.
- E. Any special instructions pertaining to emergency situations such as power of attorney designees or alternate contact persons.

ARTICLE XI - LOGISTIC SUPPORT

The Contractor shall be responsible for all logistic support required in the performance of this Delivery Order including, but not limited to, travel, transportation, secretarial and office support, scheduling appointments, interpretation and translation, report printing and communication.

ARTICLE XII - ACCESS TO CLASSIFIED INFORMATION

The Contractor will not have access to classified information.

ARTICLE XIII - DUTY POST

The Duty Posts for this delivery order will be Washington, DC, Poland, Hungary, Slovakia, and Bulgaria.

ARTICLE XIV - WORK WEEK

Five day work weeks are authorized in the U.S. The Contractor is authorized up to a six-day work week with no premium pay while in the field.

SUBPROJECTS FOR REVIEW

HOUSING

Poland

- o Prototype Property Tax, Krakow (RFS #9, #75)
- o Urban Planning and Economic Development, Warsaw (RFS #17, #60)
- o Budget process in Krakow and/or Lublin
- o Long Term Municipal Advisor, Krakow (RFS #23)
- o Communal Housing Management and Privatization, Poznan (RFS #39)
- o Development of a Municipal Credit Program (RFS #41)

Hungary

- o Urban Planning and Economic Development, Budapest (RFS #8, #18)
- o Housing Strategy, Privatization, Etc., Szolnok (#19, #35, #65)

Slovakia

- o Sanitation System Strategy, Banska Bystricka (RFS #28)*
- o Land Development/Sanitation Systems, Trencin (#30, #56, #71)*
- o Housing Privatization and Management (RFS #57, #79)

(* See also RFS #57, & #88)

- o Other Privatization Assistance
- o Kurdzhali Privatization Assistance to local governments by KPMG Peat Marwick Bulgaria Municipal Privatization Assistance Activity under Project 180-0014).

ENERGY

Poland

o Interagency Agreement between USAID and the Department of Energy, Krakow clean Fossil Fuel and Energy Efficiency Project

o Memorandum of Understanding (MOU) signed by the U. S. Department of Energy and the Ministry of Environmental Protection, Natural Resources and Forestry of the Republic of Poland titled, "Collaboration on the Krakow Clean Fossil Fuels and Energy Efficiency Program, A Project for Elimination of Low Emission Sources in Krakow.

CONTACTS

USAID/W:

1. Deborah Prindle, ENI/PCS/PAC, Division Chief*
2. Thelma Furlong, ENI/PCS/PAC, Program Analyst*
3. Ronald Greenberg, ENI/EEUD/ENR, Division Chief
4. Alexi Panehal, ENI/EEUD/ENR, Deputy Division Chief
5. Lori Freer, ENI/EEUD/ENR, Project Officer
6. Paul Parks, ENI/EEUD/ENR, Environment Specialist
7. Patrick Rader, ENI/PD/PSB, Project Development Officer
8. Nicholas Studzinski, ENI/ECA/NT, Poland Desk Officer*
9. Brian Wickland, ENI/ECA/NT, Hungary Desk Officer*
10. Suk Lee, ENI/ECA/NT, Slovakia Desk Officer*
11. Amanda Kim, Bulgaria Desk Officer
12. Steve Giddings, ENI/EEUD/UDH, Division Chief
13. Sonny Low, ENI/EEUD/UDH, Housing & Urban Dev Off
14. David Olinger, ENI/EEUD/UDH, Housing Advisor
15. Robert Ichord, ENI/EEUD/EI, Division Chief
16. Richard Burns, ENI/PER/EP, Division Chief
17. Maria Mamlouk, ENI/ECA, Deputy Director
18. Edward Landau, ENI/ECA/ST, Division Chief

Research Triangle Institute:

1. Alan Wyatt, Project Manager
2. Bill Sommers, Senior Institutional Analyst (located in Poland)

Bulgaria:

1. Gerald Zarr, AID Rep, OAR/Bulgaria*
2. John Tannen, AID Rep, OAR/Bulgaria*
3. Brad Fujimoto, AID Rep
4. John Babylon, AID Rep
5. Skip Kissinger, AID Rep, Privatization specialist
6. Bozhil Kostov, AID Rep, Yantra Basin specialist
7. Lada Stoyanova, AID Rep
8. Branimir Natov, Deputy Minister, Ministry of Environment - tel. 52-12-40, fax. 52-16-34
9. Ilila Natchkov, National Coordinator, MoE, tel. 87-61-51/ext.291, fax. 52-16-34
10. Nikolay Koumdgiev, Water Protection Department, MoE, tel. 87-61-51/ext.269, 296; fax. 52-16-34
11. Doino Doinev, Veliko Turnovo Municipality, tel. (062) 3-49-08, fax. (062) 2-79-97
12. Anton Gugov, Head of Regional Environmental Inspectorate, Gabrovo, tel. (066) 2-03-51, 2-03-58

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Poland:

1. Donald Pressley, AID Rep, OAR/Warsaw*
2. Andrzej Pecikiewicz, Project Backstop, OAR/Warsaw*
3. Sonia Hammam, Housing Director, OAR/Warsaw*
4. Pawel Swialiewicz, former USAID & ICMA employee
4. Dr. Wojciech Beblo, Director of the Katowice Environment Protection Board
5. Recipients of TA in five municipalities: Ziebice, Swieta Katarzyna, Miedzna, Nowa Sol, and Namyslow
6. Training Participants in five municipalities: Ziebice, Swieta Katarzyna, Miedzna, Nowa Sol, and Namyslow
7. Environmental Inspectorate officials in Wroclaw and Katowice
8. MOZNIL officials
9. Dir. J. Wertz - Environment Protection Department, Krakow Voivodship; Steering Committee Member
10. Dir. R. Kinda - Office of Krakow Development
11. Dr K. Gorlich - Krakow Municipal Council, Steering Committee Member
12. Eng. J. Bieda - Office of Krakow Development
13. Dir. R. Stawski - Environment Protection Department, Krakow Municipality
14. Eng. A. Kusiak - Environment Protection Department, Krakow Municipality
15. Eng. J. Labuz - Municipal Heat Distribution Utility
16. Eng. J. Nedoma - Municipal Designers Office
17. Eng. J. Bardel - Office of Krakow Development
18. Eng. L. Kossacki - Environment Protection Department, Krakow Voivodship
19. Eng. J. Kala - Communal Services Department, Krakow Municipality
20. Eng. A. Wybranski - Municipal Power Utility
21. Dir. C. Laskowski - Municipal Heat Distribution Utility
22. M. Jakubowicz M.Sc. - Environment Protection Department, Krakow Voivodship
23. Eng. W. Krowicki - Municipal Heat Distribution Utility

Hungary:

1. David Cowles, AID Rep, OAR/Budapest*
2. Ferenc Melykuti, Project Backstop, OAR/Budapest*
3. Kennedy Shaw, LEM Resident Advisor (part time)
4. Recipients of TA in four target municipalities: Edeleny, Ozd, Sajoszentpeter, and Gyor
5. Ministry of Environment and Regional Planning
6. Local EPA officials

Slovakia:

1. Patricia Lerner, AID Rep, OAR/Bratislava*

2. George Williams, AID Rep, Housing/Urban Development Spec

United States Department of Energy (DOE)

1. William R. Mundorf
2. Dr. Howard Feibus, (301-903-4348) Germantown, Maryland

EVALUATION QUESTIONS

Contractor's report shall provide a concise, analytical examination of the following strategic issues for local government assistance in the context of the host country environment of Bulgaria, Poland, Hungary and Slovakia, and an assessment of contractor/grantee effectiveness.

I. Program Coordination in the Local Government Assistance Area

1. Determine the extent to which local government assistance has contributed to the achievement of the specific strategic objectives in each USAID Country Strategy for each country program that the team is evaluating.

2. To what extent do the USAID Representatives contribute to coordination among the five types of local government assistance? To what extent is field coordination feasible, versus AID/W coordination? Give specific case study examples.

3. To what extent have the five types of assistance been mutually supportive? Have they been mutually contradictory in any cases (e.g. fiscal and tax policy recommendations)? Assess whether coordination with other donors' local government assistance has been effective. Provide specific examples if any activity has been successful at leveraging additional in-kind contributions or funding from other non-USAID sources.

II. Substantive Areas of Assistance

1. To what extent has assistance contributed toward the development of market-oriented local government policies (e.g. fiscal practices, changes in tax policies, decontrol of prices, support for competition, private investment, and environmental protection)? Cite specific examples.

2. To what extent has assistance contributed towards market-oriented changes in local governments' expenditures? Is assistance contributing toward the removal of subsidies and the targeting of any remaining subsidies to the truly needy. If so, provide evidence of such cases.

3. Are there any gaps in other donors' assistance to local governments that justify priority U.S. assistance? If so, provide support for your recommendations.

4. Based on evaluation findings, recommend realistic targets for USAID local government assistance over the next 2 years in each of the four countries that the team has visited.

5. Identify any local government management changes that have taken place as a result of USAID-funded assistance (such as reorganization of personnel; establishment of mayors' organizations, or other local government NGO's; etc.).

6. Have local governments in each country been strengthened as a result of each activity funded? Is there evidence that certain types of assistance are more effective than others? Document whether any activities have been less effective than others, and recommend how to address these issues.

III. Geographic Site Selection

1. Develop matrices and maps to illustrate site selection patterns. Analyze whether there is evidence of greater impacts in sites where multiple types of USAID local government assistance are being delivered.

2. Document any cases in which different types of assistance are making contradictory recommendations, for example, on fiscal tax and social welfare policies.

3. Analyze the absorptive capacity of local governments that USAID is assisting, in the context of the size of the professional staff and the density of USAID and other donors' assistance to these towns.

4. Analyze whether all modes of assistance delivery have been effective, and under which conditions each mode is most effective, including at a minimum:

- Long term resident advisors
- Repeat visits from the same short-term advisors or trainers
- Varied short-term assistance providers unsupported by resident coordinators
- varied short-term assistance providers coordinated by resident advisors.

ANNEX 2:

LIST OF SPECIFIC ACTIVITIES EXAMINED IN THE EVALUATION

Housing/Urban Development

The United States Agency for International Development (USAID) awarded a \$14.1 million Local Government and Housing Privatization contract to a consortium of contractors to provide housing and urban development assistance to Central and Eastern Europe. The International City/County Management Association (ICMA) is the lead contractor. The Urban Institute, the Urban Land Institute (ULI), and the National League of Cities are also part of the consortium which is providing a combination of long-term and short-term assistance. The focus of this assistance is on: a) local government policy and program development and operations regarding housing and urban services; b) relationships between local authorities and the private sector in provision of shelter and urban services; c) assistance in the building of institutional capacity for the support of shelter production and the provision of urban services; and, d) policy development and implementation of programs to privatize existing housing stock.

At the time the evaluation was conducted, one hundred twenty Requests for Services (RFS) had been issued under this contract. USAID selected a total of twenty RFSs under this contract for the evaluation team to examine in the four countries visited. The RFSs related to housing and urban development are listed below (those related to environment and sanitation or primarily to privatization, also a part of this contract, are listed in the sections which follow).

- Prototype Valuation Based Property Tax Model (Krakow, Poland) - RFS #9, #75
- Capital Planning and Program Budgeting (Krakow, Poland) - RFS #92
- City Municipal Management Advisor (Krakow, Poland) - RFS #23
- Urban Planning and Economic Development (Warsaw, Poland) - RFS #17, #60
- Development of a Municipal Credit Program (Poland) - RFS #41
- Communal Housing Management and Privatization (Poznan, Poland) - RFS #39
- Technical Assistance - Housing Policy (Szolnok, Hungary) - RFS #19, #35, #65
- Housing Strategy, Privatization (Szolnok, Hungary) - RFS #67
- Housing Privatization and Management (Slovakia) - RFS #79
- Training for Resident-Owner Associations (Slovakia) - RFS #57

Environment

1) Environment Activities Implemented Under the ICMA consortium

The following RFSs, all for Slovakia, were a part of the \$14.1 million funding available under the ICMA contract to strengthen self-reliant local governments in Eastern Europe (see Housing/Urban Development, above).

- Sanitation System Strategy (Banska Bystrica, Slovakia) - RFS #28
- Sanitation System Strategy (Trencin, Slovakia) - RFS #30
- Wastewater Improvement Strategies (Slovakia) - RFS #88

2) Local Environmental Management Project (LEM) #180-0039

The LEM project is being executed under a contract (No. 0039-C-00-2065-00) between USAID/Washington (USAID/W) and the Research Triangle Institute (RTI). In addition to the prime

contractor, there are also two subcontractors: the ICMA and the Eastern Research Group. The contract is for three years (July 1992- July 1995), with an authorized funding level of \$4,240,972.

The project's purpose is to: (a) demonstrate the extent to which local governments in Poland and Hungary can effectively manage their environmental problems if given adequate and consistent support; (b) assist selected municipalities in producing reliable and technically acceptable proposals for the funding of environmental projects for presentation to national and international funding agencies; and (c) disseminate results of this project to other municipalities through workshops, manuals, etc. A sub-purpose of the project is to act, through the project manager, as a broker-liaison by matching municipal requests for technical assistance not supplied by LEM with various USAID supported projects which may be able to provide the needed information, data or assistance.

Five municipalities were chosen in Poland (Ziebice, Swieta Katarzyna, Miedzna, Nowa Sol, and Namyslow); they were all chosen because they were engaged in wastewater projects on a priority basis. Four municipalities were selected in Hungary. Three of these (Gyor, Ozd, and Edeleny) had solid waste as their environmental priority. In the fourth municipality, Sajoszentpeter, hazardous waste was identified as the priority environmental focus.

The evaluation team visited a total of four LEM sites, two in Poland and two in Hungary. The team also visited LEM project headquarters in Krakow. The specific activities reviewed were:

- Wastewater Treatment in Zabice, Poland;
- Wastewater Treatment in Namyslow, Poland;
- Solid Waste Management in Gyor, Hungary; and
- Solid Waste Management in Ozd, Hungary.

3) Water and Sanitation for Health Project (WASH)- Hungary, Slovakia and Bulgaria

In 1991, the Central and Eastern Europe (CEE) bureau "bought into" the Agency-wide WASH project, under a contract with Camp, Dresser, McGee, to support a regional Environmental Program for the Danube River Basin. This buy-in contract provided USAID funding of \$5.2 million to conduct studies addressing major sources of water pollution in Bulgaria, Romania, Slovakia, and Hungary under the WASH project, and for small demonstration activities under the Environmental Health project in Bulgaria and Romania. The 1991-92 WASH Danube study undertook three major tasks: a) identified high-priority, immediate investment needs to control municipal and industrial wastewater emissions, for which pre-investment studies might be funded by international donors and funding agencies; b) evaluated institutional conditions and needs to support implementation of wastewater emission control programs; and c) prepared an initial computer-based system and user manual to help decision-makers manage a broad range of data.

Following this initial work, USAID agreed to support a WASH preparation of prefeasibility studies for selected high-priority projects. Four prefeasibility studies were completed in mid-1993, providing priority ranking of possible pollution control activities in these river basins, focusing both on water pricing issues and construction of physical facilities.

The evaluation team reviewed "WASH activities" in three of the four countries. The specific activities reviewed were:

- Regional Approach to Domestic Sewage Collection and Wastewater Treatment in Hungary;
- Restructuring of Water and Wastewater Delivery System/Pricing in Slovakia; and
- River Basin Planning and Priority Water Pollution Control Assistance in Bulgaria

Energy

1) Low Emissions Project - Krakow, Poland

USAID authorized \$20 million for the Krakow Clean Fossil Fuels and Energy Efficiency project (project 180-0031, known as the Low Emissions project) in June 1991. USAID and the Department of Energy (DOE) signed Inter-Agency Agreements in July and August, 1991, respectively, formally setting out the broad parameters of the project, and transferring the initial \$3 million from USAID to the DOE. USAID made further funding transfers to DOE in FY 1992 (\$5.5 million), in FY 1993 (\$7 million) and in FY 1994 (\$4.5 million), bringing available funding to \$20 million. The project is divided into three phases, with a total of \$4.5 million available to fund Phases I and II, and \$14.5 million (plus \$16.5 million in matching funds from nine private U.S. firms which agreed to participate in the project) available to fund Phase III.

The evaluation team interviewed members of the Bilateral Steering Committee (both Americans and Poles), officials of the Krakow City Development Office (which implements the project in Krakow), and with city of Krakow officials concerning the project's actual or likely impact on the city of Krakow.

2) Efficiency Resources Assistance - Handlova, Hungary

USAID agreed in mid-1993 to fund an assessment of options for the city of Handlova to continue providing heating services for its citizens as its existing central heating plant was approaching the end of its useful life and central government subsidies were also terminating. USAID funding in the amount of \$400,000 was provided through the DOE's Office of Energy Efficiency and Renewable Energy. The DOE contracted with Pacific Northwest Laboratories as the principal, with Tecogen (a US energy research firm) and EGU (a Slovak energy research institute) as sub-contractors to conduct the assessment.

The evaluation team interviewed city of Handlova officials about the impact of this project on the city of Handlova, and discussed it with USAID officials in Hungary and in the US.

Privatization

1) KPMG Peat Marwick Company (KPMG) Privatization Assistance - Bulgaria

In 1993, USAID contracted with KPMG for assistance to municipalities in selling small properties through competitive auctions. USAID provided \$1,467,968 under the KPMG contract (Project No. 180-0014), focusing initially on the Kurdzhali region of Bulgaria.

Specific project activity reviewed was: Municipal (Property) Privatization in Plovdiv, Bulgaria.

2) Privatization Activities Implemented Under the ICMA consortium - Private/Public Partnership Program - Stara Zagora, Bulgaria

The following RFS, in Bulgaria, was a part of the \$14.1 million funding available under the ICMA contract to strengthen self-reliant local governments in Eastern Europe (See Housing/Urban Development, Part a. above).

Private/Public Partnership Housing Demonstration Program in Stara Zagora, Bulgaria- RFS #66, #84(d)

ANNEX 3:

LIST OF INDIVIDUALS AND ORGANIZATIONS CONTACTED DURING THE EVALUATION

USAID/W Personnel

Deborah Prindle, ENI/PCS/PAC, Division Chief
Thelma Furlong, ENI/PCS/PAC, Program Analyst
Robert Ichord, ENI/EEUD/EI, Division Chief
Ron Greenberg, ENI/EEUD/ENR, Division Chief
Len Rogers, ENI/EEUD/EI
Sonny Low, ENI/EEUD/UDH, Housing & Urban Dev. Officer
Richard Burns, ENI/PER/EP, Division Chief
Paige Alexander, Poland Desk Officer
Suk Lee, ENI/ECA/NT, Slovakia Desk Officer
Jennifer Cowan, Bulgaria Desk Officer
Brian Wickland, Hungary Desk Officer
Paul Parks, ENI/EEUD/ENR
Alexi Panehal, ENI/EUR/DR/ENR, Deputy Division Chief
Lori Freer, ENI/EEUD/ENR, Project Officer
William J. Hogrewe, ENI/EUR/ENR, Environmental Engineering Specialist (WASH Coordinator)
Susan Kosinski, ENI/EUR
David Olinger, ENI/EEUD/UDH

Contractors, Consultants & Other Contacts in the U.S.

Jan Winters, Krakow Long-Term Municipal Advisor
Dr. Howard Feibus, Dept. of Energy (Germantown, MD)
Joe Eckert, ICMA
Sandy Bettger, ICMA
Steve McCoy Thompson, ICMA
Sonia Hammam, former OAR/Warsaw, Poland (now at IBRD)
David Dowall, Urban Land Institute
Juliana Pigey, Consultant, New York City
David Greytak, Syracuse University
Alan Wyatt, LEM Project Manager, Research Triangle Institute
Jeff Telgarsky, The Urban Institute

BULGARIA

Sofia

Zhivko Nenov, Director, Barents Group (Formerly the Policy Eco. Group, KPMG Peat Marwick Co.)
Gjeorgi Petrov, Senior Associate, Barents Group
Velislava Grudkova, Program Assistant (Local Government), University of South Carolina

Plovdiv

Theodore Dimitrov, Chairman, Plovdiv Municipal Council
Atanass Peshacov, Executive Manager, Plovdiv Municipal Privatization Agency

Stara Zagora

Antov Andronov, Mayor of Stara Zagora
Kolyo Christov, Chief of Department, City of Stara Zagora
Tenko Roukanov, Property Expert, City of Stara Zagora
Vassil Iliev, Private Developer
Michael L. Hoffman, USAID Housing Program Resident Advisor, the Urban Institute
James G. Budds, USAID Consultant, Urban International Associates, University of South Carolina

Gabrovo

Ivan Nenov, Mayor of Gabrovo
Tzvetan Antonov, Deputy Mayor of Gabrovo
Briefing by a group of ten municipal and regional officials

USAID/Sofia

John Tennant, USAID Representative, USAID/Sofia
Brad Fujimoto, USAID/Sofia
John Babylon, USAID/Sofia
Skip Kissinger, Privatization Specialist, USAID/Sofia
Lada Stoyanova, USAID/Sofia
Ivanka Tsankova, USAID/Sofia

Government of Bulgaria

Daniel Leviev, Vice Minister, Ministry of Regional Development, Housing Policy and Construction
Belin Mollov, Head, Department of Territorial Administrative Structure and Local Authority, Ministry of Regional Development, Housing Policy and Construction
Stefan Hubanov, Head, Housing Policy Dept., Ministry of Reg. Dev., Housing Policy and Construction
Ilya Natchkov, National Coordinator, Danube River Program, Ministry of Environment
Nikolai Kouyumdehiev, Water Protection Department, Ministry of Environment

HUNGARY

USAID/Budapest

James E. Watson, Project Development Officer, USAID/Budapest
Tracy Oldakowski, Office Manager, USAID/Budapest
John T. Howley, Advisor, Housing and Urban Programs, USAID/Budapest
Patrick Egan, Acting WASH Coordinator, USAID/Budapest

Government of Hungary

Ezter Szovenyi, Chief Counselor, Department of International Relations, Ministry of Environment
Peter Szanto, Head, Department for Waste Management, Ministry of Environment
Istvan Pinter, Director, North-Hungarian Environmental Protection Inspectorate (located in Miskolc)

Local Government Officials, Contractors, Consultants & Other Contacts in Hungary

Budapest

Dr. Gabor Peteri, Municipal Finance Specialist, Center for International Development, Research Triangle Institute (Advisor to LEM Project)
Katharine Mark, Research Associate, International Activities Center, The Urban Institute
Ivan Tosics, Director, Metropolitan Research Institute
Jozsef Hegedus, Managing Director, Metropolitan Research Institute

Ozd

Gyula Filep, Vice Mayor, City of Ozd
Juhasz Laszlo, Managing Director, Ozd Communal Cleansing Company

Miskolc

Szekrenyine Szemenyei Anna, Engineer, Keviterv Plusz Engineering Company (Sub-contractor to WASH Project)
Zsori Andras, Engineer, Keviterv Plusz Engineering Company

Gyor

Tamas Zoltan, Office Director, City of Gyor
Dr. Kovacs Andras, Managing Director, Gyor Communal Cleansing Company
Kovacs Barnabas, Deputy Director, Gyor Communal Cleansing Company

Szolnok

Attila Varhegyi, Mayor of Szolnok
Erzsebet Domany, Head, Housing Department, City of Szolnok

POLAND

USAID/Warsaw

Don Pressley, AIDREP (in the U.S.)
Peter Amato, Acting AIDREP
Larry Birch, RHUDO (TDY to Warsaw)
Rebecca Black, RHUDO/Warsaw
Tamara Arsenault, Public Administration Advisor, USAID/Warsaw
Andrzej Pecikiewicz, Project Specialist, USAID/Warsaw
Maryla Jakubowicz, Project Specialist, USAID/Warsaw (interviewed in Washington)

Government of Poland

Irena Herbst, Deputy Minister of Housing, Ministry for Physical Planning and Construction
Elzbieta Suchochu-Roguska, Director, State Budget Department, Ministry of Finance
Danuta Wawrzenkiewicz, Deputy Director, State Budget Department, Ministry of Finance
Jozef Jankowiak, Department for Administrative Reform, Council of Ministers
W. Sikorski, Rep. to the Joint Committee of Central and Local Government, Council of Ministers

Local Government Officials, Contractors, Consultants & Other Contacts in Poland

Warsaw

Marcin Swiecicki, Mayor of Warsaw
W. Matusik, Director, Office of the Mayor of Warsaw
Jacek Poznanski, Former Advisor to the Council of Ministers
Roman Dziekonski, President, Municipal Development Authority (Former Deputy Mayor of Warsaw)
Krzysztof Nowakowski, Cooperation Fund

Krakow

Krzysztof Pakonski, Deputy Mayor of Krakow
Jan Freidberg, Deputy Mayor of Krakow; Member, Steering Committee for Low Emissions Project
Ryszard Rutkowski, Chief Executive Officer of the City of Krakow
Aleksander Noworol, Director of Strategy and Development Department, City of Krakow
W. Jan Brzeski, President, Krakow Real Estate Institute
R. Kinda, Director, Office of Krakow Development
Jan Bieda, Office of Krakow Development
J. Bardel, Office of Krakow Development

Jerzy Wertz, Director, Environmental Protection Department, Voivod of Krakow; Member, Steering Committee for the Low Emissions Project
Jan Winters, ICMA Resident Advisor (interviewed in Washington and several times in Krakow)
William Sommers, Project Manager, LEM Project

Poznan

Andrzej Porawski, Executive Director, Association of Polish Cities; Vice-Chairman, City Council
Mieczyslaw Wojciechowski, President, Communal Housing Enterprise, City of Poznan
Ryszard Cmielewski, Director of City Planning, Director, Communal Housing Enterprise, City of Poznan

Namyslow

Adam Maciag, Mayor of Namyslow
Ryszard Wilczynski, Secretary to the Namyslow Gmina; Member, President's Council on Ecology
Ewa Witkowska, Managing Engineer

Ziebice

Ryszard Nowak, Mayor of Ziebice
Deputy Mayor of Ziebice
Managing Engineer

SLOVAKIA

USAID/Bratislava

Patricia Lerner, USAID Representative (informal discussion)
Loren Schulze, Deputy USAID Representative, USAID/Bratislava
George Williams, Housing/Urban Dev. Specialist, USAID/Bratislava
Martin Brunovsky, Environment Officer, USAID/Slovakia
Gustav Matijek, Project Advisor, USAID/Slovakia

Government of Slovakia

Jaroslav Jankovic, Director, Water Management Section, Ministry of Land Economy
Jan Nahalka, Administrator of Water/Wastewater Authority for Central Slovakia
Milan Topoli, Director of Water/Wastewater Authority, Trencin District (office in Trencin)
Vladimir Svec, Director of Water/Wastewater Authority, Prievidza District (office in Prievidza)

Local Government Officials, Contractors, Consultants & Other Contacts in Slovakia

Bratislava

Jaraslava Zapletalova, Housing Institute
Maris Mikelsons, Research Associate, The Urban Institute

Trencin

Stefan Rehak, Former Mayor of Trencin

Handlova

Silvester Gasparovic, Mayor of Handlova
Jan Pisch, Deputy Mayor
Milos Soucek, Former Mayor of Handlova

Prievidza

Mr. Izak, Former Mayor of Prievidza

Banska Bystrica

Peter Lacny, Deputy Mayor of Banska Bystrica

Mr. Mika, Former Mayor of Banska Bystrica

Ed Cyr, Budget Specialist, the Urban Institute

Jaroslav Drako, President, Drako and Associates (a WASH Project Subcontractor)

Trencianska Turna

Frantisek Jezik, Mayor of Trencianska Turna, Member of ZMOS Committee for the Vah Region,
Chairman of the Foundation for Education

ANNEX 4:

RESPONSES TO SPECIFIC EVALUATION QUESTIONS

The scope of work for this evaluation required that the contractor's report provide a concise, analytical examination of the following strategic issues for local government assistance in the context of the host country environment of Bulgaria, Poland, Hungary and Slovakia, and an assessment of contractor/grantee effectiveness. A series of questions were posed in the Scope of Work.

This Annex presents both those questions and the evaluation team's responses to them. These responses have been circulated in draft form to the involved USAID staffs and revisions have been made by the contractor as a result of their responses.

BULGARIA

I. Program Coordination in the Local Government Assistance Area

1. Determine the extent to which local government assistance has contributed to the achievement of the specific strategic objectives in each USAID Country Strategy for each country program that the team is evaluating.

USAID's strategy document for Bulgaria includes as one of its four principal emphases "strengthening democratic institutions by democratic public participation at local levels, through civic, trade union, and non-governmental organizations in a long-term effort to strengthen local government and facilitate governmental decentralization". Thus, local government assistance is an integral part of USAID's program thrust in Bulgaria, and contributes directly to achievement of an important element of the Country Strategy.

(Also see Annex 6.)

2. To what extent do the USAID Representatives contribute to coordination among the five types of local government assistance? To what extent is field coordination feasible, versus USAID/W coordination? Give specific case study examples.

The Office of the USAID Representative (OAR)/Bulgaria is making a significant effort to coordinate and keep current on all USAID assistance activities in the country. Of the four countries visited by the evaluation team, the OAR/Bulgaria did the best job of preparing the way for our field work, both in terms of advance scheduling and briefing us on activities in the country.

The staff members of the OAR/Bulgaria expressed some frustration in their efforts to coordinate USAID activities because information was not always forthcoming from Washington.

The evaluation team concludes that field coordination by the OAR/Bulgaria is entirely feasible, provided the various staffs in Washington cooperate and the OAR is allocated both budgetary and administrative responsibility for activities in Bulgaria.

3. To what extent have the five types of assistance been mutually supportive? Have they been mutually contradictory in any cases (e.g. fiscal and tax policy recommendations)? Assess whether coordination with other donors' local government assistance has been effective. Provide specific

examples if any activity has been successful at leveraging additional in-kind contributions or funding from other non-USAID sources.

The activities we evaluated in Bulgaria were limited to three types: a WASH environmental program; a housing program involving public-private partnerships; and a municipal privatization program. On a previous field trip, we also evaluated a technical assistance program funded through the Democracy Initiatives program operated by the University of South Carolina (USC).

We found evidence suggesting that there have been mutually supportive effects from the USAID program in Bulgaria. To begin with, the OAR has prepared a "Municipal Development Strategy" which at the time of the evaluation team's visit was being discussed with USAID/W. The OAR strategy outlines five objectives to be addressed in municipal development in Bulgaria:

- Institution-building for local government associations
- Advisory services to central government entities
- Capacity-building assistance to local governments
- Development of continuing education and training for local government
- Economic development assistance

The specific activities we examined did not address all of these areas, but it seemed clear to the evaluation team that all of the activities are contributing, in some way, to one or more of these five objectives.

In addition, many of the activities have been located in the same set of medium-sized cities. In those cities, all of which have a Bulgarian version of "strong mayor" forms of government (where the mayor is directly elected, not selected or removable by the city council), the office of mayor, and particularly the mayor himself, is in an effective position to ensure that all USAID activities are seen as a single program. This effect is especially noticeable in Stara Zagora, where the mayor has been advised for several years, through a USAID-supported program, by an experienced and capable US city manager. Much the same effect was also evident in Gabrovo.

We identified no instances of mutually contradictory recommendations.

Little information was obtained on the activities of other assistance agencies, although we did hear reports of activities by the International Bank for Reconstruction and Development and the European Bank of Reconstruction and Development. It is also clear that EU-PHARE is present in Bulgaria.

II. Substantive Areas of Assistance

I. To what extent has assistance contributed toward the development of market-oriented local government policies (e.g. fiscal practices, changes in tax policies, decontrol of prices, support for competition, private investment, and environmental protection)? Cite specific examples.

Bulgaria is the least advanced in moving toward a market economy of the four countries covered in this evaluation. The national government has been in the effective control of socialists (mostly ex-Communists) virtually since the change and the US appears to have had little influence over the national government in inducing it to allow municipalities to move toward local market economies.

The privatization program operated for USAID by KPMG started out at the national level, failed there because of government opposition, and was then re-focused at the municipal level. It appears to have

been modestly successful at the local level, although to date the accomplishments are limited by comparison with the other three countries covered in this evaluation (Poland, Hungary and Slovakia). Most of what has been accomplished to date is the sale, by a few municipalities, of the physical premises of small retail shops and a very few small municipal enterprises such as bakeries. We identified only one example of a privatized municipal service enterprise: a small construction company which had served under contract as the city's (Plovdiv) maintenance department. In trying to determine if this was evidence of a new way of doing business, we asked how the city now contracted its maintenance, assuming that the answer would be by competitive tenders; but were told that the city had set up another city owned maintenance company to perform the same functions. Thus, in this instance, the impact on market-oriented local government policies or its support for competition has apparently been minimal.

Steps toward market activity have also been promoted by the housing assistance program of USAID operated by the ICMA and Planning and Development Collaborative (PADCO). This program has assisted three localities to initiate pilot projects designed to build new housing on municipal land or complete construction of partially built structures left from the communist era by issuing Requests for Proposals in which entrepreneurs bid to do the work and compensate the municipality with a share of the finished apartments.

In addition, USAID activities have been important in helping spread confidence among Bulgarian local officials that it is possible to take some steps, even within the constraints of the present national laws. But much more effort will be needed to have a real impact on the Bulgarian economy.

2. To what extent has assistance contributed towards market-oriented changes in local governments' expenditures? Is assistance contributing toward the removal of subsidies and the targeting of any remaining subsidies to the truly needy. If so, provide support for your recommendations.

We found little evidence of any movement toward these objectives in Bulgaria. However, it should be noted that, unlike the situation in the other three countries covered in this evaluation, housing is basically a private sector activity in Bulgaria with municipally owned housing accounting for a very small percentage of the total housing stock.

3. Are there any gaps in other donors' assistance to local governments that justify priority U.S. assistance? If so, provide support for your recommendations.

We identified no evidence of any systematic approaches to assisting Bulgarian local governments by other donors.

4. Based on evaluation findings, recommend realistic targets for USAID local government assistance over the next 2 years in each of the four countries that the team has visited.

The OAR/Sofia appears to have defined a sound municipal development strategy, well suited to the realities of existing local government conditions in Bulgaria. While the team raised a number of questions for consideration, such as the timing (not the need or desirability) of attempting to create sustainable local government training programs, we found no basic disagreements with the proposed targets.

5. Identify any local government management changes that have taken place as a result of USAID-funded assistance (such as reorganization of personnel; establishment of mayors' organizations, or other local government nongovernmental organizations (NGOs); etc.).

The impact of USAID-funded assistance on local government management in Bulgaria is visible, even though local government in the country is still in a very weak position.

The mayors we spoke with (both in Stara Zagora and Gabrovo) appear fully aware of the need to upgrade the quality and training of municipal staff. The effort seems to be bearing fruit in both cities.

In addition, a promising step toward creating an effective, non-partisan coalition of mayors has been taken. After two years of fruitless attempts to form a federation of the several special purpose regional or highly political national associations representing local governments, USC consultant Robert Maffin advised adoption of a new strategy; to form a temporary coalition around a common objective: new local government legislation. The mayor of Stara Zagora is the head of this group which after only two months of activity has 75 members from both major political parties out of less than 300 municipalities in Bulgaria. While we were in Bulgaria the coalition had its first policy meeting with the Prime Minister, has prepared a draft local government law and is cautiously confident that essential local government legislation will soon be introduced into Parliament. The mayor pointed out to the evaluation team that many mayors who had been opposed to working together during the first attempts to establish a new municipal association are now working together on behalf of the coalition. He expects participation in the coalition to expand and possibly to lead to the creation of a new non-partisan local government organization.

6. Have local governments in each country been strengthened as a result of each activity funded? Is there evidence that certain types of assistance are more effective than others? Document whether any activities have been less effective than others, and recommend how to address these issues.

Both the privatization and housing assistance activities covered by this evaluation appear to have strengthened local government in Bulgaria. The evidence is less clear in the case of the environmental program which was an essentially regional activity oriented toward reducing water pollution by largely physical improvements to existing treatment plants. In Gabrovo, the evaluation team was briefed by a group of about ten technical representatives from the municipality, the regional environment Inspectorate, and water quality advisors from the Academy of Sciences. It is interesting to note that progress on environmental issues was chosen by the group's principal spokesperson as the area in which US assistance was perceived to have had the greatest impact. A series of USAID-supported seminars and training activities under the Environmental Training Program were credited with having raised the general public awareness of environmental issues, increased public debate and participation concerning such topics, and resulted in the creation of the Yantra River Basin Council, which will continually monitor environmental concerns affecting the region, as well as a new local NGO called "The Initiative for Stable Development". While we were unable to identify specific changes in the operation of the municipal structure in Gabrovo to deal with environmental issues as a direct result of USAID's involvement, we certainly left with the very strong impression, expressed best by one of the city's citizens, that "the funds have not been wasted" where environmental issues are being addressed.

The KPMG privatization program, if operated in a similar way in any of the other evaluation countries, might appear rudimentary. However, given the very slow pace of privatization in Bulgaria, such assistance does appear appropriate. Even in Stara Zagora where the locally-based effort has already produced substantially as much quantitative result as in the KPMG-assisted Plovdiv program, the mayor said that he wanted the assistance offered by KPMG (and recently signed an agreement with them) so that his city can move rapidly from simple actions such as the sale of physical premises to privatization of the commercial enterprises still owned and operated (often at a loss) by the city.

Stara Zagora also offers an interesting example of a city which has moved at least as far on its own to establish more effective management practices as was the case where specific USAID program assistance was available. In Plovdiv, where KPMG has provided privatization advice for some time, the large city council (composed of about 65 members and politically-divided) still has to approve each specific sale of municipal property. In Stara Zagora, the mayor has been able to persuade the council that it can delegate the specifics to the municipal staff and retain a monitoring and auditing role over the process. (Of course, it should also be noted that US city manager Jim Budds has long been an advisor to the mayor of Stara Zagora).

The main problems facing local government in Bulgaria relate to the following areas: 1) strategic planning, management and budgeting control systems and economic development, 2) strengthening the municipal revenue base, especially by the introduction of own-source tax and fee structures, and 3) scaling up the market base of the local economy, especially through the sale of inappropriate municipal property and enterprises. Accomplishing these and other important objectives will be difficult and will require a careful strategy for focused assistance. The OAR/Sofia seems to be quite correctly focused on this objective.

III. Geographic Site Selection

1. Develop matrices and maps to illustrate site selection patterns. Analyze whether there is evidence of greater impacts in sites where multiple types of USAID local government assistance are being delivered.

The maps in Annex 5 indicate the cities visited by the team

[See Annex 5, Figure 1]

2. Document any cases in which different types of assistance are making contradictory recommendations, for example, on fiscal tax and social welfare policies.

We found no evidence on this matter.

3. Analyze the absorptive capacity of local governments that USAID is assisting, in the context of the size of the professional staff and the density of USAID and other donors' assistance to these towns.

The local governments the evaluation team visited appear to have few problems of absorptive capacity. In part, this may have been due to the modest scale of most assistance to date, but we do not see this as a problem for Bulgarian cities in the near future.

One advantage that Bulgaria has, as compared to most other Central European countries, is that there are only about 300 municipalities, as compared to the 2,000 to 4,000 in other countries. This means that each Bulgarian municipality has a substantial population and potential resource base, as compared to the difficult situations other countries where tiny municipalities are often expected to be self-sufficient and provide the same services as larger municipalities.

4. Analyze whether all modes of assistance delivery have been effective, and under which conditions each mode is most effective, including at a minimum:

Long term resident advisors

There were no long-term resident advisors in the USAID local assistance program in Bulgaria who worked in a single municipality (although a number of cities have Peace Corps volunteers and other US assistance). There are, however, several full-time advisors who work in a variety of communities, not in a single city, as noted below.

Varied short-term assistance providers coordinated by resident advisors.

The ICMA/PADCO/Urban Institute effort in housing assistance falls into this category. Based on experience described to us by officials in Stara Zagora and other cities, it has been an effective mode of delivering assistance. However, municipal officials emphasized that it took the consultants a long time (months they said) to understand some of the basic operating constraints in Bulgaria such as the fact that development rights could be ceded but that land could not be sold.

The KPMG municipal privatization project staff are all either Bulgarian nationals or Bulgarian-Americans and are resident in the country. KPMG has set-up a wholly-owned subsidiary in Bulgaria to implement the USAID contract. US-based KPMG experts provide support to the local staff but are not directly involved in providing assistance. The KPMG local staff work in a number of cities and the company, although not (we were told) the same staff, offers similar services on a commercial basis to other clients.

Repeat visits from the same short-term advisors or trainers

This has been a common pattern of delivering assistance in Bulgaria, in the housing and privatization programs and in the USC program as well. It appears to have been well-adapted to the needs of Bulgarian cities. The mayor of Stara Zagora specifically declared this to be the most appropriate form of assistance for his city, except possibly under special circumstances (such as the work of Peace Corps volunteers) where long-term resident advisors may be appropriate.

Varied short-term assistance providers unsupported by resident coordinators

Although not part of our evaluation assignment, one shot visits from experts from the Citizen Democracy Corps were cited as an example in Plovdiv and Gabrovo of largely wasted efforts of this type.

HUNGARY

I. Program Coordination in the Local Government Assistance Area

1. Determine the extent to which local government assistance has contributed to the achievement of the specific strategic objectives in each USAID Country Strategy for each country program that the team is evaluating.

(See Annex 6).

2. To what extent do the USAID Representatives contribute to coordination among the five types of local government assistance? To what extent is field coordination feasible, versus AID/W coordination? Give specific case study examples.

Although one member of the evaluation team spoke briefly with the USAID representative to Hungary in Washington D.C. the team was unable to schedule a meeting with him or with any member of his senior staff during its stay in Budapest. Therefore, our information on the extent of field coordination taking place in the OAR/Hungary is limited to those impressions gained from our discussions with the Personal Service Contractor (PSC) and institutional contractor staff who seemed to know very little about projects outside of their own direct contract responsibilities. In our exit de-briefing at USAID, we were able to provide our views to a Project Development Officer who had responsibility for several of the activities we had seen, but throughout our visit to Hungary the perspective of the OAR's senior management was simply not available to us.

3. To what extent have the five types of assistance been mutually supportive? Have they been mutually supportive or contradictory in any cases (e.g. fiscal and tax policy recommendations)? Assess whether coordination with other donors' local government assistance has been effective. Provide specific examples if any activity has been successful at leveraging additional in-kind contributions or funding from other non-USAID sources.

We found little evidence in Hungary, based on the limited number and types of project activities that the team assessed, that there has been mutual support among the different types of assistance. We also found no evidence of coordination of efforts with other donors or of leveraging non-USAID sources of financial support other than project funding (principally from central government) which LEM assistance helped local governments obtain.

USAID reportedly discussed with the Ministry of Social Welfare the possible use of the Szolnok experience as a model for a national program, and while the rent allowance portion of the national social law (see discussion below, in Section II.1 and II.2) appears to be based on the Szolnok experience, we saw no evidence that the national government gave serious thought to using USAID supported efforts to leverage funding for its housing programs from other donors. The Housing Act of 1993 did, however, clarify cities' rights to set rent levels (previously approved in the 1991/92 law, but not explicitly stated). Only Szolnok, at the urging of USAID consultants, has actually raised rents under this new authority.

The evaluation team was also advised, in subsequent comments, that USAID/W made a deliberate decision not to implement environmental programs in Hungary because of the low interest of the national government and the weakness of the Ministry.

II. Substantive Areas of Assistance

1. To what extent has assistance contributed toward the development of market-oriented local government policies (e.g. fiscal practices, changes in tax policies, decontrol of prices, support for competition, private investment, and environmental protection)? Cite specific examples.

There is limited evidence of some moves in this direction as a result of project activities in Hungary. The housing assistance project in Szolnok has clearly contributed to the development of a somewhat more positive attitude toward the introduction of market forces into the operation of the city-owned housing stock. The principal evidence in this regard was the willingness of the city to raise rents toward market levels as part of an overall approach. However, the city's approach also included the introduction of a number of subsidies (including means tested rent subsidies and utility subsidies, as well as loan interest subsidies which were added to already existing subsidies of purchase price and other aid for purchasers of the housing units that are contrary to market directions).

In Gyor, the LEM project has assisted in the creation and maintenance of a very market-oriented city-owned solid waste management company that appears to be sustaining itself largely on the basis of service fees. In the more difficult market environment of Ozd, where unemployment is over 40 percent, the solid waste company needs continuing subsidies from the hard-pressed city government, but has nonetheless made significant organizational improvements..

2. To what extent has assistance contributed towards market-oriented changes in local governments' expenditures? Is assistance contributing toward the removal of subsidies and the targeting of any remaining subsidies to the truly needy? If so, provide support for your recommendations.

In Gyor, solid waste collection and disposal is being paid for directly by residents and commercial beneficiaries of the service. Municipal expenditures for street cleaning, road repair, park maintenance, and snow removal are controlled through a combination of competitive bidding and performance monitoring.

The rental allowance program developed in Szolnok has created a means-tested methodology targeting rental subsidies on the basis of reported family income. While the program did not eliminate or even reduce the level of subsidies paid by the city, it did target rental subsidies to the neediest segment of the population and provided the rationale for a 100 percent increase in rents enacted in October 1992. The increased rental income currently covers the cost of the rental allowance program, and makes a substantial contribution toward the cost of maintaining the city-owned rental housing stock, but only 65% of the estimated eligible renters and 25% of the estimated eligible owners now participate in the subsidy programs. Even with the 1992 rent increase, rents do not cover the cost of maintenance. The net result is that the city still provides roughly the same level of subsidy to maintain fewer units and the situation will get worse as more units are sold. Efforts to extend this approach through national legislation have met with mixed results.

3. Are there any gaps in other donors' assistance to local governments that justify priority U.S. assistance? If so, provide support for your recommendations.

No evidence found.

4. Based on evaluation findings, recommend realistic targets for USAID local government assistance over the next 2 years in each of the four countries that the team has visited.

N/A.

5. Identify any local government management changes that have taken place as a result of USAID-funded assistance (such as reorganization of personnel; establishment of mayors' organizations, or other local government NGOs; etc.).

The LEM project has clearly affected the way the city of Győr delivers some services. The housing management assistance in Szolnok has changed the city's approach to asset management by introducing a private housing management contract which was let through a tender process on a pilot basis. The housing project has also resulted in a reporting and monitoring system within the city administration.

The evaluation team found no evidence of other such changes in the limited number of cases we examined. We did hear of changes in other USAID-funded activities, however, such as efforts to introduce a program budget under way in Szolnok.

6. Have local governments in each country been strengthened as a result of each activity funded? Is there evidence that certain types of assistance are more effective than others? Document whether any activities have been less effective than others, and recommend how to address these issues.

The LEM project assistance in solid waste management seems to have contributed to the confidence of local management and has clearly been very much appreciated in Győr and Ózd, the two cities where we obtained evidence.

The WASH activities have promoted regional cooperation among local governments and may have strengthened local government; however, the evaluation team found no direct evidence to this effect on its brief field trip.

The Szolnok government appears to be making good use of the housing and other management assistance being provided and city departments seem to have gained confidence. In addition, the mayor appears eager to carry the program through and to introduce other reforms in the city administration.

III. Geographic Site Selection

1. Develop matrices and maps to illustrate site selection patterns. Analyze whether there is evidence of greater impacts in sites where multiple types of USAID local government assistance are being delivered.

The maps in annex 5 indicate the cities visited by the team.

[See Annex 5, Figure 2]

2. Document any cases in which different types of assistance are making contradictory recommendations, for example, on fiscal tax and social welfare policies.

No evidence found.

3. Analyze the absorptive capacity of local governments that USAID is assisting, in the context of the size of the professional staff and the density of USAID and other donors' assistance to these towns.

The local governments we visited in Hungary appear to be fully capable of absorbing the assistance offered to them. However, there are many very small municipalities among the country's more than 3,000 local governments, many of them probably too small and poorly-staffed to absorb much help.

4. Analyze whether all modes of assistance delivery have been effective, and under which conditions each mode is most effective, including at a minimum:

Long term resident advisors

The Urban Institute's research associate, Katie Mark, who has been resident in Hungary for several years and who is currently working with over a dozen separate municipalities, is an example of a long term

resident who works with more than a single municipality. Such resident advisors are more correctly classified as intermittent rather than long-term resident advisors from the perspective of each individual municipality. The coordination provided by the Urban Institute's resident research associate has clearly been effective in delivering assistance and her efforts have been appreciated by the local governments she has assisted.

In the case of Szolnok, the head of the Housing Office, with whom we met, said she had regular contact with the USAID advisor. It was her judgment that the USAID assistance had allowed the city to push through its programs in several months, after the city itself had been working on the issue for a much longer time, thus serving as an important catalyst to the process.

In the case of the two LEM sites we visited, city officials spoke highly of the LEM long term advisor, Kennedy Shaw (who is apparently considered more of a project manager within the context of the LEM operation). Particularly in Gyor, both the city official and the managing director of the cleansing company also valued the assistance provided by Dr. Gabor.

Repeat visits from the same intermittent advisors or trainers

In Szolnok, there were apparently repeat visits by key consultants who were perceived as intermittent advisors by the municipality in each of the program areas.

Also, the repeated visits from key subject area LEM consultants have apparently been quite effective.

Varied short-term assistance providers unsupported by resident coordinators

No evidence found.

POLAND

I. Program Coordination

1. Determine the extent to which local government assistance has contributed to the achievement of the specific strategic objectives in each USAID Country Strategy for each country program that the team is evaluating.

The latest version of the Country Strategy for Poland (dated 9/1/94) expresses support for local government in several places throughout the document. In the Overview section, the Strategy states under the heading Transforming Public Institutions:

... high priority needs to be placed upon local government, supporting the decentralization of public sector responsibilities and the establishment of the necessary fiscal arrangements to finance the delivery of services at the local self-government level. Economically, decentralization is critical because it links the purchasers of services (taxpayers) more directly with the provider of services, thereby improving the accountability, relevance, and economic efficiency of the provision of public sector services. Also local government provides opportunities for broader participation in government, and thus education in democratic practices. (emphasis added).

Under US Commitment, the Strategy places highest priority on the following objectives:

- (1) Supporting private sector development;
- (2) Assisting development of the financial sector;
- (3) Helping transform the public sector to better support democratic development and a market economy, and;
- (4) Strengthening institutions essential for sustainable development.

The theme of strengthening local government capacity is repeated with respect to mobilizing financial resources, providing policy and technical advice to local governments, and strengthening their capacity to carry out municipal responsibilities.

The evaluation team believes that local government assistance provided through the activities in the projects examined in Poland contribute to or have great potential for contributing to three of the four Mission objectives. Specific contributions, by objective, are summarized below.

Private sector development: 1) If government follows through on USAID-supported work in municipal finance and property taxation, as appears quite likely, the housing and urban development sectors should receive an important boost. The private banking industry should become involved for the first time in making long-term loans to the municipalities, and non-government sector housing construction and other municipal development activity should increase. 2) While the third phase of the low emissions energy project is just getting started, its principal objective is for American and Polish private company joint ventures to research the feasibility of producing, for the Polish market as well as markets in the broader CEE region, affordable clean air technologies that will sell, and, in so doing, reduce pollution.

Financial sector development: The creation of the Municipal Development Authority (MDA) can be an important factor in helping to secure financing for local government development. However, we believe that USAID should assist discussions (only now beginning in earnest) concerning the role this new entity should/will play. The team believes USAID is in a position to influence these discussions. Also,

while the LEM project has not to date focused on helping their client municipalities understand their financial options under the more market-oriented system of municipal finance which can be expected to emerge, this has clearly not been part of their charge. However, it seems to the team that the LEM is well positioned to assist these municipalities more directly in this respect. The LEM can potentially help the smaller municipalities in Poland to better comprehend their overall finances and to understand (and present clearly to potential funding sources) that they have capacity to manage debt and represent reasonable credit risks when they also have the authority to generate own-source revenues.

Strengthening institutions for sustainable development: The team believes that the creation (and continuation under a different government) of the Joint Commission of Central Government and Local Government has been a significant undertaking. The Commission is a forum for serious discussion on a wide range of local government issues. These discussions have already resulted in the creation of a MDA, which is responsible for the creation of a system for financing municipal infrastructure. The fact that the Joint Commission has already survived one change of government suggests that it may be an important vehicle for overcoming some of the inevitable political battles which a realignment of power between central and local forces may engender.

(Also see Annex 6.)

2. To what extent do the USAID Representatives contribute to coordination among the five types of local government assistance? To what extent is field coordination feasible, versus USAID/W coordination? Give specific case study examples.

The overall conclusion of the evaluation team is that coordination of USAID-assisted activities in Poland to date has been weak at best across the different types of assistance. Although we believe that sincere efforts were made to achieve coordination, the newness of the program, its relatively low density of activity in a large country and the fact that most USAID personnel concerned with project design and development worked out of Washington (with occasional visits to the field) militated against successful coordination, particularly of project objectives and focus.

We found that most Polish local and central government personnel we spoke with (who often have their own problems of coordination) have not understood the differences among the types of USAID assistance being provided to them and have utilized assistance as much on a random basis (what they heard was available) as on any rational or strategic basis.

Even where the local government did achieve a reasonably effective development strategy, as in the case of the city of Krakow, coordination across different types of assistance (for example, housing/urban development and energy) has not developed to more than a minimal degree. And while the LEM environmental activities were managed from Krakow, this was a matter of location with respect to the geographic distribution of action sites in Poland and Hungary, and had nothing to do with the local government of Krakow. Krakow did try to utilize services from another USAID project (the Rutgers/Foundation for the Support of Local Democracy (FSLD) training program evaluated in our earlier report) but found it was not effective nor responsive to their needs (At least, this was the view expressed by the USAID-financed resident consultant; the Krakow center of FSLD was proud that city government had used its services and was unaware or perhaps unprepared to admit that these services had been found ineffective by the client).

We do not, however, want to paint too bleak a picture. The fact is that Polish local government officials do talk with one another and exchange information, as do the various US consultants who have been working in Poland. For example, Krakow receives inquiries about their budget process and information management systems from other Polish cities virtually every week and has hosted a number of delegations exploring the idea of adopting a similar approach. These interchanges, together with the coordinating efforts of USAID/W staff and the growing number of Poland-based staff in the Representative's office, have had some effect. However, in our view, these effects have been more

noticeable within a single type of assistance (such as the generally well-coordinated housing/urban development/municipal finance efforts in Poland) than across different types of assistance.

The team believes that field coordination is not only feasible, but far more likely to prove effective, given two conditions: First, the field unit (soon to achieve Mission status) must be responsible for, or at least involved in, project design and development and act as the repository of information on all activities taking place in Poland, rather than only monitoring progress of several but not all types of assistance. Second, there must be continuing participation by USAID/W to ensure that the functional/sectoral specialist advice needed for some types of assistance is available on request to the Mission.

Even if these conditions are met, there are likely to be continuing coordination problems in a country where there is a high level of tension between local and central government views of the appropriate allocation of resources and responsibilities and where the central government itself may not be amenable to many of the policy directions which USAID supports.

3. To what extent have the five types of assistance been mutually supportive? Have they been mutually contradictory in any cases (e.g. fiscal and tax policy recommendations)? Assess whether coordination with other donors' local government assistance has been effective. Provide specific examples if any activity has been successful at leveraging additional in-kind contributions or funding from other non-USAID sources.

As noted in the response to the previous question, we were able to identify only a few instances in Poland where two or more of the five types of assistance (or seven types, if one includes the training and technical assistance activities evaluated earlier) took place in the same municipality. As a result, we can offer only a limited response on this question.

a. Policy conflict/coordination. In Krakow, where the low emissions energy project was active, the project proposed that the city offer a subsidy to building owners in order to persuade them to switch to less polluting fuels or connect to the city's district heating system. The suggested subsidy was a reduction in the real property tax. While the objective was desirable from the city's point of view, the tactic was not, for two reasons. First, the property tax was one of the city's very few sources of discretionary income and it was reluctant to reduce revenue from it. Second, the real property tax rate was so low (although it was at the legal limit) that there would have been little incentive involved even if the owners received exemption from the property tax altogether, in the view of city officials.

b. Coordination with other donors. There appears to be generally good coordination with other donors in Poland. One case, where potential policy conflicts are apparently being resolved (based on what we were told by USAID personnel), involves the municipal credit program. In this instance, both a World Bank loan and a USAID Housing Guarantee (HG) loan are being planned as part of a national effort to provide long-term capital investment assistance. At an earlier stage, there were evidently differences in the approaches put forward by USAID and the World Bank as to what form the municipal credit program that would utilize these loans should take. More recently, both the Polish officials working on the program and USAID officials advised us that the World Bank had apparently agreed to coordinate its loan with their efforts.

c. Leveraging in-kind contributions or non-USAID sources. We saw a few instances in which USAID activities directly attracted non-USAID resources. Clearly the most significant instance was in the low emissions energy project. USAID funding of \$14.5 million for phase III of the project brought in an equivalent amount of funding from private U.S. companies. Eight separate joint ventures are underway, involving private American and Polish companies, American universities, Polish municipal entities, and one British company.

In Krakow, the city used \$1 million of its own resources to purchase a computerized information and budget system after being convinced by USAID's long-term advisor that it needed to have not only a more transparent budget document, but also the ability to integrate the budget throughout the city's departments.

The LEM project has been able to attract cooperation from a number of different sources. In one instance, officials of the municipality of Ziebice gave the LEM project credit for convincing the German Marshall Fund to finance and distribute a video on the importance of preventing and reducing pollution. The video was distributed to all primary schools in the gmina to supplement the LEM's environmental activities in the area. In another instance, the LEM project negotiated an agreement with the Finnish Government in which the Finnish Ministry of Environment (MOE) used LEM training materials (in Polish) to train Polish municipal officials in environmental subjects. The training also exposed the Polish trainees to Finnish communities of similar size and with comparable environmental issues and further supplemented the LEM's training in Poland. The LEM is currently discussing a similar program with the Norwegian Government and with the U. S. Trade and Development Program.

II. Substantive Areas of Assistance

1. To what extent has assistance contributed toward the development of market-oriented local government policies (e.g. fiscal practices, changes in tax policies, decontrol of prices, support for competition, private investment, and environmental protection)? Cite specific examples.

Assistance, in the form of the projects evaluated in Poland, has contributed to the development of market-oriented policies in the ways cited below:

a. Tax policy changes. The real property tax project undertaken by ICMA with the assistance of US consultants and the Krakow Real Estate Institute is directed toward changing Polish tax policy with regard to the tax source of greatest direct potential for local government. While the government has not yet made a public commitment to adoption of a capital value-based form of property tax as recommended by this project, it is under serious consideration and it appears to have good prospects for adoption once the government realizes that the public has absorbed the impact of the major tax policy changes that have occurred recently (Value-Added Tax (VAT) and the personal income tax).

b. Decontrol of prices. An aspect of price control of serious concern to local government is the restrictive rent control system in Poland. The Krakow city government has decided that it can reduce the restrictive impact by applying fees (such as those for water and sewer service) to be charged by its water enterprise. These fees can be passed on by building owners to tenants outside the rent structure. A year ago, the city raised water fees by two-thirds, making the enterprise entirely self-supporting in operating and maintenance terms (but not covering its capital investment and replacement costs which are still paid from the general municipal budget). The city of Poznan also charges fees (outside the rent structure) for water and sewer service, maintenance and refuse collection, although its decision to do so appears to have been taken independent of any external advice.

c. Private investment. The Warsaw urban planning/economic development project developed research materials and projections designed to be useful in the city's economic development strategy. Unfortunately, these materials do not appear to have had any significant impact to date, largely because of 1) a major change in the policy-level officials responsible for the project and 2) the form of the assistance. The former vice-mayor in charge of the effort left city government to head the new national municipal credit agency and the new mayor and his officials have no knowledge of the effort. The research work, which appeared to be of high quality, was done by a Polish team led by a US-based consultant. Just when the study was completed, the city's policy leadership changed. Reports were left behind, but, as the team was composed wholly of outside consultants, very little remained in the way of

an operating program. (The USAID staff in Warsaw is trying to rescue this activity through discussions with the new mayor).

With some help from its resident advisor, Krakow is also addressing the question of attracting private investment. Their most ambitious idea is to create a new transportation / visitors / conference center on a strategically-located site owned by the Polish military. The ULI panel recommended that this project be made a focal point of new development and that an independent development authority be created to implement the project. World Bank experts at a seminar on urban transport issues recently proposed that the city install computerized vehicle monitoring and guidance systems which do not even exist at the operational level. Other "visiting firemen" have proposed that Krakow make a bid to host the Olympic games. So far, no one has proposed a theme park, but that, too, will undoubtedly be proposed. Krakow definitely needs access to the advice of a seasoned economic development expert whose judgment they trust in order to help them evaluate specific proposals, distinguish between those which are potentially feasible and those which are not, and prepare a strategic approach to development.

d. Environmental protection. While they have yet to seek commercial loans from Polish banks for waste water or sewage treatment facilities (and were deemed too small for consideration by the EBRD), municipal officials with whom we spoke say that LEM project experts have taught them how to present their finances in ways that will permit them to borrow for future environmental projects. Quite naturally, the municipalities prefer to rely on "soft" funding available through the Environmental Protection Funds, and through grants from the central government so long as such funds are available. As all of the participating municipalities are in the Selesian valley, an area targeted for environmental clean-up on a high priority basis, this non-commercial approach to infrastructure financing appears to be appropriate, but it clearly is not an approach which can be replicated country-wide.

2. To what extent has assistance contributed towards market-oriented changes in local governments' expenditures? Is assistance contributing toward the removal of subsidies and the targeting of any remaining subsidies to the truly needy? If so, provide support for your recommendations.

The evaluation team found little evidence of progress in these directions. The only area where such policies were being discussed was housing; but no program has been formed yet.

3. Are there any gaps in other donors' assistance to local governments that justify priority U.S. assistance? If so, provide support for your recommendations.

The evaluation team found little evidence on which to base any conclusions or recommendations as to gaps in other donor's assistance programs that would offer opportunities for USAID assistance.

One area in which Krakow urgently requested assistance (and where it said no other donor was helping) was in direct capital grants to replace worn-out capital equipment in the city's transit system (trolleys, buses, etc.). We do not believe this is an area in which USAID will have any interest.

4. Based on evaluation findings, recommend realistic targets for USAID local government assistance over the next 2 years in each of the four countries that the team has visited.

N/A.

5. Identify any local government management changes that have taken place as a result of USAID-funded assistance (such as reorganization of personnel; establishment of mayors' organizations, or other local government NGOs; etc.).

The principal local government management changes identified by the team as clearly resulting from USAID assistance in Poland took place in the city of Krakow. They included: (1) the appointment of a "city manager" to work under the executive board of mayor and vice-mayors as the person responsible

for giving managerial direction, supervision and assistance to the operating heads of all city agencies; (2) the major changes and improvements in the municipal budget process instituted with the assistance of the resident advisor and aided by the exposure of key Krakow policy officials to well-managed US cities such as Rochester; and (3) the creation of a strategic or policy planning unit which is currently engaged in preparing the city's first long range capital improvement program.

Krakow was also the site where an unusual Polish institution was being utilized effectively but separate from the local government. A state enterprise calling itself the Town Development Office (TDO) in Krakow is the principal local operator of the low emissions energy project. The TDO is an example of a formerly central government (voivod-level) agency granted independent status (as a state-owned enterprise) a quarter century ago which took with it the land and building records of the city and voivod, as well as its then planning and development capabilities and has continued in being, selling its services to the city and the voivod. We were positively impressed with the technical capacity of the TDO and believe that it may well be able to extend the effectiveness of the low emissions project beyond its current boundaries. We do not believe, however, that the use of such an organization is necessarily a good model for adoption elsewhere. We noted that other cities in Poland, such as Poznan, have apparently achieved comparable emissions control results without the use of such an entity or outside assistance, although they may well have reached the limits of what they can do on their own.

6. Have local governments in each country been strengthened as a result of each activity funded? Is there evidence that certain types of assistance are more effective than others? Document whether any activities have been less effective than others, and recommend how to address these issues.

The activities evaluated by the team varied widely in the degree to which they have strengthened (or have the potential to strengthen) local government in Poland. They are described below in roughly descending order, from those that we found most valuable in this regard (either actually or potentially) to those that we found of little or no value in this regard (they may have other redeeming features which were not within the scope of this evaluation).

- **Real property tax studies:** To date, the impact of this project activity on local government has been nil, but it has great potential. It will depend on whether and when central government decides to move ahead on authorizing the use of valuation-based real property taxes by municipalities and allowing them some discretion over tax rates.
- **Municipal credit research and program development:** This activity, too, has great potential for impact on local government by enabling cities to obtain access to long-term financing for capital investment. To date, no impact has been felt because the work has been solely analytical. The recent creation of the MDA, an organization specifically charged with developing a municipal credit system, is a strong indication that the efforts will lead to significant impacts in the future.
- **Budget improvement in Krakow:** It was difficult for the team to separate the impact of this effort from the work of the resident advisor (see below) because the budgeting consultants and the advisor worked quite closely together. The impact of better budgeting practices and formats on the ability of Krakow's leadership to govern appears to have been great. We also heard positive things about what has been done on budgeting in the city of Lublin. These improvements have been extended in their impact on local government in Poland (and other CEE countries) by activities such as last summer's USAID-sponsored conference held in Krakow.
- **Krakow resident advisor:** The considerable impact of having a skilled and experienced US city manager resident in Krakow for about two years became apparent from the team's interviews in that city. In our response to question III.4, below, we have tried to assess that impact in comparison with other modes of assistance.

- **Urban planning and economic development:** This project was apparently carried out skillfully and promised to have significant impact on the city of Warsaw and its constituent gminas. However, the impact will remain potential until (or unless) the new city administration can be persuaded to follow up on what was done by its predecessors. Here, too, impact of the activity is closely related to the mode of assistance utilized (see III.4, below).
- **Communal housing management improvement:** The impact of project activity on Poznan's substantial public housing stock has been felt more in improved management and lower administrative costs (via staff reductions and privatization of many support functions) than in the quality of the stock itself. The city government is highly supportive of the effort and sees it as related to one of its high-priority concerns. However, the lack of any funds for rehabilitation or other upgrading of the quality of the stock of aged pre-war and poorly-built postwar housing is a serious limitation on what this effort can achieve.
- **Low emissions control:** This effort in Krakow appears to be well-managed and accepted by city government. It is making progress in reducing the large number of buildings that rely on heavily-polluting coal furnaces, shifting most of them to dependence on the city's district heating grid or to use of gas. The degree of success is sharply limited by economic constraints on building owners and there is no available source of subsidy to speed the conversion process by reducing capital costs. In addition, it is not clear whether progress in Krakow has been substantially better than in other Polish cities due to the effect of this project.
- **LEM:** Project activities have provided technical input to improve municipalities' ability to construct environmental projects. This has been done successfully with substantial cost savings for some municipalities. Also, a number of short training programs were conducted and have been favorably evaluated by participants. It appeared to the evaluation team that in addition to the sound technical advice being provided, the LEM experts are well-positioned to influence the smaller municipalities in Poland in a comprehensive way, focusing on strengthening their financial capabilities.

It should be noted that two of the projects included in the scope of this multi-country evaluation had no examples in Poland within the teams' scope of work (WASH and Privatization). Thus, they are omitted from these comments.

III. Geographic Site Selection

1. Develop matrices and maps to illustrate site selection patterns. Analyze whether there is evidence of greater impacts in sites where multiple types of USAID local government assistance are being delivered.

The maps in Annex 5 indicate the cities visited by the team.
[See Annex 5, Figure 3]

2. Document any cases in which different types of assistance are making contradictory recommendations, for example, on fiscal tax and social welfare policies.

See the response to question I.3, above, for an instance of possible contradiction between assisted activities.

The team was also concerned to learn that USAID is currently considering a major program of assistance in improving public administration focused on the voivods, or regional branches of central governments. While the voivods are important regional service delivery organs of the central government, they are seen by most local government officials in Poland as a rival approach to both service delivery and governance. To us, this appears to be a policy conflict in USAID's strategy which

we recommend the agency review on a priority basis. The team emphasized this issue in our de-briefing session with USAID officials in the OAR. Subsequently, the team learned that this new program was designed during a period in which the central government openly opposed further strengthening of local governments and that the rationale for working at the voivod level was to improve management and possibly reduce opposition to local self-government. As the central government attitude toward local government seems to have moderated, USAID should at least discuss the option of modifying the focus of this potentially important new project.

3. Analyze the absorptive capacity of local governments that USAID is assisting, in the context of the size of the professional staff and the density of USAID and other donors assistance to these towns.

We saw only the city of Krakow to a degree sufficient to offer a reasoned answer to this question with regard to Poland. In that instance, where more of USAID's local government assistance effort was concentrated than anywhere else in the country, it was clear that there is quite sufficient absorptive capacity to take advantage of all of the assistance that has been available. It is significant that this was the case even though the period of assistance was punctuated by considerable political turmoil in the city including frequent recall of members of the policy committee including the mayor and vice-mayors. Of course, Krakow is not a typical city: it is proud of its long royal and intellectual traditions and it was the only major Polish city to escape damage in World War II. However, our brief exposure to officials in Poznan suggested to us that they, too, have considerable absorptive capacity and ability to discriminate among the many forms of external assistance offered to them.

4. Analyze whether all modes of assistance delivery have been effective, and under which conditions each mode is most effective, including at a minimum: long term resident advisors; repeat visits from the same short-term advisors or trainers; varied short-term assistance providers unsupported by resident coordinators; and varied short-term assistance providers coordinated by resident advisors.

Based on our work in Poland, and our review of materials on the program of USAID assistance in Poland, we have the following comments on the effectiveness of various modes of assistance under actual conditions and their potential effectiveness under other conditions. (Obviously, the latter is more speculative.)

a. Long-term resident advisors: The one instance we examined in some depth, involving ICMA advisor Jan Winters' work in Krakow, appeared to us to be a clear success both in outcome and in the city's response. However, we think that some significant part of this success may have been due to factors such as (1) the fact that all members of the policy board of the city spoke English; (2) the advisor's very sound credentials in city management and the patently strong initiative characteristic of his managerial style; and (3) the stage in Krakow's development when he arrived on the scene. All of these factors are unlikely to recur at other times and places.

The second long-term resident we observed in Poland was RTI project manager Bill Sommers with the LEM project, also located in Krakow, but with responsibilities in both Poland and Hungary. In fact, Sommers was not really a resident advisor from the perspective of any one local government, but rather an intermittent advisor to several local governments and a manager of local staff and short-term consultants, both US and local. As a regional project manager, Sommers did not develop the same kind of rapport with a counterpart (office or individual), as Winters was able to enjoy with the city of Krakow, although he seemed to be highly regarded by the mayors of the two gminas we visited. As a manager of short-term technical resources Sommers' task was very different from that of Winters, who had no budget for short-term consultants, although he did coordinate the work of those consultants whom USAID did send to Krakow.

The LEM approach was the only example we observed of a regional resident project manager. As suggested in Section I.2. above, placement of the LEM office in Krakow was a decision based on the need to service both Poland and Hungary, rather than on the specific needs of Poland or any link to the

city of Krakow. USAID will have to judge the effectiveness of this approach to project management against providing the management by a contractor (or directly by USAID) located elsewhere in Poland, in a third country or in the US. However, the two municipalities we visited where LEM projects are operating expressed a high regard for the work of the LEM project and seemed to believe they had been well serviced by the office.

The technical expertise delivered to the participating municipalities under the LEM project is provided by the Resident Advisor/Manager and by periodic short-term teams that contained both American and Polish experts. In terms of a delivery mode, therefore, assistance under this project should more fairly be assessed in terms of sub-section c., below.

Based on these two examples, we would not recommend that USAID use the long-term resident mode of assistance further in specific Polish cities, except under unusual circumstances where a city has a clear commitment to undertaking a broad program of reform such as has been implemented in Krakow. There may be, however, other situations (e.g. not within a city government) where the long-term resident mode would be effective, such as assistance to the financial institution selected to take responsibility for generating long-term capital investment funds of municipal infrastructure. Even in this example, however, the team believes that a long-term intermittent advisor or a resident advisor working in a number of cities would be equally effective and perhaps preferable to a resident advisor to a specific city.

b. Recurrent visits by the same short-term advisors: although the one instance of this we examined (the Warsaw planning/economic development project) was not a clear success in terms of its impact on local government, we believe that the form of advice was useful and, had other circumstances allowed, would have resulted in a successful effort. In general, we believe that this is an approach that makes efficient and effective use of the advisor and allows the city officials a good learning experience; including those times when the advisor is not available and they must practice what they have learned.

The only situation the team encountered in which there were multiple visits by the same short-term consultants and where a long-term advisor was also present was in Krakow during the upgrading of the budget process. While we are unable to differentiate as to which consultant contributed most, the net effect of the combined approach was clearly quite successful. A review of the Lublin experience might suggest that the repeat visits of short-term consultants can be effective without the long-term resident advisor.

Overall, we believe that recurrent use of the same short-term advisor in a city over a period of one or two years is a cost-effective approach for both the Polish cities and USAID.

c. Varied short-term advisors coordinated by a long-term resident advisor or project manager. We identified only one such instance in Poland; the LEM project (also addressed in sub-section a., above).

The short-term advisors sent to specific municipalities seem to have enjoyed some success in accomplishing fairly narrow technical scopes of work after an initial period of "educating them to the realities in Poland". However, in talking with officials of two of the five municipalities which received such experts, much of the credit seemed to be due to the continuity of advice provided by a Polish consultant working with the US consultants. The team was not convinced that the gminas themselves had internalized, or even been exposed to, in any meaningful way, much of the financial analyses contained in some of the consultant reports, raising concerns about the ability of the municipalities to deal with this type of issue in the future.

The Krakow resident advisor does not fit the model as he had no direct control over the resources for short-term consultants and apparently did not know how to access USAID resources in a timely manner. This is one of several problems which arise when resident advisors are taken directly from US positions with no prior USAID or overseas development assistance experience.

The low emissions project in Krakow may also qualify as a modified example of this approach. The US technical consultants were short-term (some may or may not have made repeated trips to the city); however, the effort stood alone in the TDO and was not coordinated by a long-term USAID advisor, although there is a policy board composed of Polish (city, voivod, central) and Americans (located in the US). The policy board meets periodically (once or twice a year) and sets overall direction for the project, but daily activities are coordinated by the TDO. The approach seems to have been successful in the early stages which involved research and generating interest within American and Polish companies to do applied market research, but it is too soon to judge how, or if, the results of the research findings can be implemented.

SLOVAKIA

1. Program Coordination in the Local Government Assistance Area

1. Determine the extent to which local government assistance has contributed to the achievement of the specific strategic objectives in each USAID Country Strategy for each country program that the team is evaluating.

USAID's Strategy document for 1994-1996, dated June 14, 1994, includes as one of its three strategic objectives to "assist in strengthening pluralism and the decentralization of decision-making. To further illustrate its resolve in achieving this objective, the document also includes the following statement:

"Empowering mayors and other locally elected officials --including the decentralization of revenue raising authorities-- is critical. We will do everything possible to further this process through speeding up the divestiture of municipally-owned housing stocks and land. USAID technical assistance was instrumental in drafting a Condominium Law enacted in 1993. It will be a key tool to carry out this portion of the strategy."

Local government assistance, thus, appears to be an integral part of USAID's assistance program to Slovakia.

(Also see Annex 6)

2. To what extent do the USAID Representatives contribute to coordination among the five types of local government assistance? To what extent is field coordination feasible, versus USAID/W coordination? Give specific case study examples.

The evaluation team was positively impressed with the efforts being made by the OAR/Slovakia to coordinate activities covered in the evaluation, despite their having been originated by USAID/W. They have utilized their own staff and consultants toward this end. In the Urban Development/Housing area particularly, one could see evolving coherence in the program, beginning with a series of largely unrelated activities in its early stages (the activities selected for the evaluation team to examine) and moving toward a clearly defined strategy for the sector which has been recently developed by the OAR.

The one significant exception we encountered was in the case of the Handlova Energy project where little information appeared to have flowed between Washington and the OAR, resulting in an apparent lack of coordination between this project and other activities (even though the WASH team has been working in a number of cities in the same region). George Williams (the USAID Urban Development and Housing PSC) accompanied the evaluation team to Handlova so that he could learn about the district heating project there. We later learned, however, that the energy contractor had briefed others in the USAID Office during its most recent trip, and had shared with USAID its written report of that visit. From the report, it appeared there was much more involvement of the city of Handlova (the mayor's office and the Municipal Housing Authority) than was indicated during the evaluation team's field visit to the city. It appeared to us that better internal communication within the USAID Office is needed concerning the energy project. We also note that the OAR is attempting to get additional help through the project that could assist its efforts to coordinate energy-related activities.

3. To what extent have the five types of assistance been mutually supportive? Have they been contradictory in any cases (e.g. fiscal and tax policy recommendations)? Assess whether coordination with other donors' local government assistance has been effective. Provide specific examples if any activity has been successful at leveraging additional in-kind contributions or funding from other non-USAID sources.

As noted above, the OAR recently developed a Housing and Urban Development Sector Strategy. The evaluation team reviewed a working draft of this strategy (dated March 1995), and we realize that it is not yet an approved document. Nevertheless, we were impressed by this attempt to pull together into a single coherent approach the OAR's activities that pertain to local self-government, private sector housing, and housing allowances. The evaluation team considers this effort important, and believes it will be received favorably as discussion continues in Slovakia and USAID/W.

We saw positive indications that several types of assistance have already been mutually supportive in such cities as Trencin and Banska Bystrica where the WASH environmental work and that of the housing and urban development consultants has involved the same key municipal officials, at least some of whom saw the activities as part of an overall assistance program.

No evidence was found of mutually contradictory recommendations.

There were efforts to leverage national funds: e.g., in Banska Bystrica, consultant Paul Hendricks recommended and the city requested that the MOE return environmental fines collected in the city to the city in order to finance completion of the wastewater treatment plant. This plan was rejected by the MOE, but has helped to raise awareness of the need for own-source local revenue. In Handlova, the US consultants apparently recommended creation of a joint stock company with central government financial participation but this has not come to fruition.

II. Substantive Areas of Assistance

1. To what extent has assistance contributed toward the development of market-oriented local government policies (e.g. fiscal practices, changes in tax policies, decontrol of prices, support for competition, private investment, and environmental protection)? Cite specific examples.

The WASH consultants seem to have had an impact at all levels of government in Slovakia. Their work is known and appreciated by the local municipalities we met, by regional government authorities, and by the Water Management Section of the Ministry of Lands. As this report was being drafted, there was a national debate under way concerning how to privatize the national water/wastewater system, which is currently organized and operated via five regional authorities. The WASH consultants have done economic analyses of one of the five regional authorities, the Central Authority, and the work has helped to inform the debate. Throughout this ongoing process, WASH seems to have contributed significantly to the discussions without getting caught up in the debate itself, although its analyses indicate that, at least, selected sub-regional water and sewerage districts within the Central Authority could be self-supporting and possibly operated as profitable smaller systems. This view has gained local support (in one district in particular) and the district director has pushed very hard to convince the government to accept the WASH analyses as the basis for permitting the operation of such systems. In our meeting with the Ministry of Lands, however, it was clear that the Government of Slovakia has been looking at how different systems in other European countries are being operated (those in the Czech Republic, the United Kingdom, Germany, and France were mentioned to the team), and that the WASH analyses constitute only a part of the technical data being used to inform the debate. The evaluation team was told that the government will make a final decision shortly, and will complete implementation of the chosen approach to privatization by July 1995.

The housing privatization efforts appear to be focused on the creation of condominiums which will assume responsibility for their own maintenance and management costs. After a condominium law was enacted, USAID funded a conference on housing privatization which was attended by mayors and key representatives of local governments. According to the OAR, much of the research and analytical work which led to the condominium law was carried out under USAID auspices. The single most important factor in the success of housing privatization to date is the decision to form residents' associations and privatize buildings where most residents want to purchase their units rather than selling any requested

individual units as is being done with difficult consequences both in Poland and Hungary. Kosice, which the team did not visit, is considered to be the most advanced with respect to its housing privatization program. USAID has financed production of a video about the Kosice housing privatization experience to help accelerate adoption of similar programs elsewhere. In the cities we visited, while municipal authorities had decided to privatize city-owned housing, the process was not very far along and was apparently constrained by the fact that autonomous housing agencies, whose financial support is derived from management of municipal owned rental housing, have been given responsibility for privatizing the units.

The Handlova Energy project provided technical analysis which apparently helped the city of Handlova decide whether it would be economically feasible to renovate or replace an antiquated district heating plant which until 1992 had served the city under the national energy enterprise; a central government operation. When the central government stopped direct operation of the plant, the enterprise wanted to close it and informed the city that they would have to participate financially in order to keep the plant open. The technical analysis proved helpful in the City Council discussions which ensued. One report included a valuable comparison of the costs and benefits of proposals the city received from a number of commercial sources.

2. To what extent has assistance contributed towards market-oriented changes in local governments' expenditures? Is assistance contributing toward the removal of subsidies and the targeting of any remaining subsidies to the truly needy? If so, provide support for your recommendations.

While the central government had already made the decision to reduce its subsidy to the heating system in Handlova by the time the energy project began, the results of the project did contribute to the city's analysis of how to minimize its expenditures for continuing this essential service.

3. Are there any gaps in other donors' assistance to local governments that justify priority US assistance? If so, provide support for your recommendations.

No evidence was found on this topic.

4. Based on evaluation findings, recommend realistic targets for USAID local government assistance over the next 2 years in each of the four countries that the team has visited.

The evaluation team reviewed the OAR/Slovakia's Housing and Urban Development Sector Strategy (still only in working draft form) and found it both reasonable and realistic.

5. Identify any local government management changes that have taken place as a result of USAID-funded assistance (such as reorganization of personnel; establishment of mayors' organizations, or other local government NGOs; etc.).

There are now two active municipal associations in Slovakia. The larger is the Association of Towns and Villages (ZMOS), which includes some 2,400 of the 2,800 municipalities in the country, although its membership does not include the central governing units of Bratislava, the largest city, or Kosice, the next largest. ZMOS is an NGO created during the communist era as the "official representative of local government". The OAR/Slovakia is currently planning to fund development of a new in-service training program for local public officials and has received expressions of interest from both ZMOS and the smaller Union of Cities (with about 15 members). However, the OAR has not yet found a way of involving both municipal associations together; ZMOS is refusing to participate unless they are the exclusive vehicle.

The WASH project developed the concept of pilot projects to test decentralization of the water and wastewater system at the district level which gained vigorous support from local government officials. Their proposals had not yet been accepted by the central government (nor did they seem likely to be) at

the time of our visit. However, the strong case for local roles in the future of the system, supported in significant part by WASH consultant reports and seminars, was apparently having at least limited impact on the central government, according to an official in the Ministry of Lands and other sources.

6. Have local governments in each country been strengthened as a result of each activity funded? Is there evidence that certain types of assistance are more effective than others? Document whether any activities have been less effective than others, and recommend how to address these issues.

Local government in Slovakian cities such as Trencin has clearly been strengthened by the Housing and WASH assistance. The situation was less clear in Banska Bystrica and Handlova although the newly elected mayors of both cities indicated interest in receiving assistance with actual implementation of the findings of the earlier studies.

III. Geographic Site Selection

1. Develop matrices and maps to illustrate site selection patterns. Analyze whether there is evidence of greater impacts in sites where multiple types of USAID local government assistance are being delivered.

The maps in Annex 5 indicate the cities visited by the team.

[See Annex 5, Figure 4]

2. Document any cases in which different types of assistance are making contradictory recommendations, for example, on fiscal tax and social welfare policies.

No such evidence was found.

3. Analyze the absorptive capacity of local governments that USAID is assisting, in the context of the size of the professional staff and the density of USAID and other donors' assistance to these towns.

There appears to be good absorptive capacity in the Slovak cities of 50,000 to 100,000 people that the team visited. These cities appear to be moving toward additional professionalization through such means as hiring city managers.

4. Analyze whether all modes of assistance delivery have been effective, and under which conditions each mode is most effective, including at a minimum:

Long term resident advisors

We found no instance of such assistance in the activities we examined in Slovakia.

Repeat visits from the same short-term advisors or trainers

The key WASH project consultants (Kennedy Shaw, Jim McCullough and Fred Rosensweig) were known individually and widely praised by all the officials we interviewed, including mayors, district and regional environmental officials and even the official in the Ministry of Lands as was the work of local consultant Jaroslava Drako. Their efforts in education and involvement of municipal officials was especially cited as a strength, as was the fact that they brought economic analysis to bear on the topic of water supply and treatment. The fact that the same team came again and again over a substantial period of time was cited often as a positive feature of their work.

The several visits by Paul Hendricks of the Urban Institute were also cited positively, with several references to his getting into the sewers to offer practical advice on real problems, not just staying in an office or producing theoretical studies.

Varied short-term assistance providers unsupported by resident coordinators

The consultants who worked with Handlova apparently made three, 3-day trips over a short period of time relying on a local sub-contractor to provide the additional data they needed to produce their reports. The city officials declared themselves pleased with the analyses, but the Deputy Mayor, who has been involved with the project from the outset, said he regretted that their work did not include more specific steps or actions.

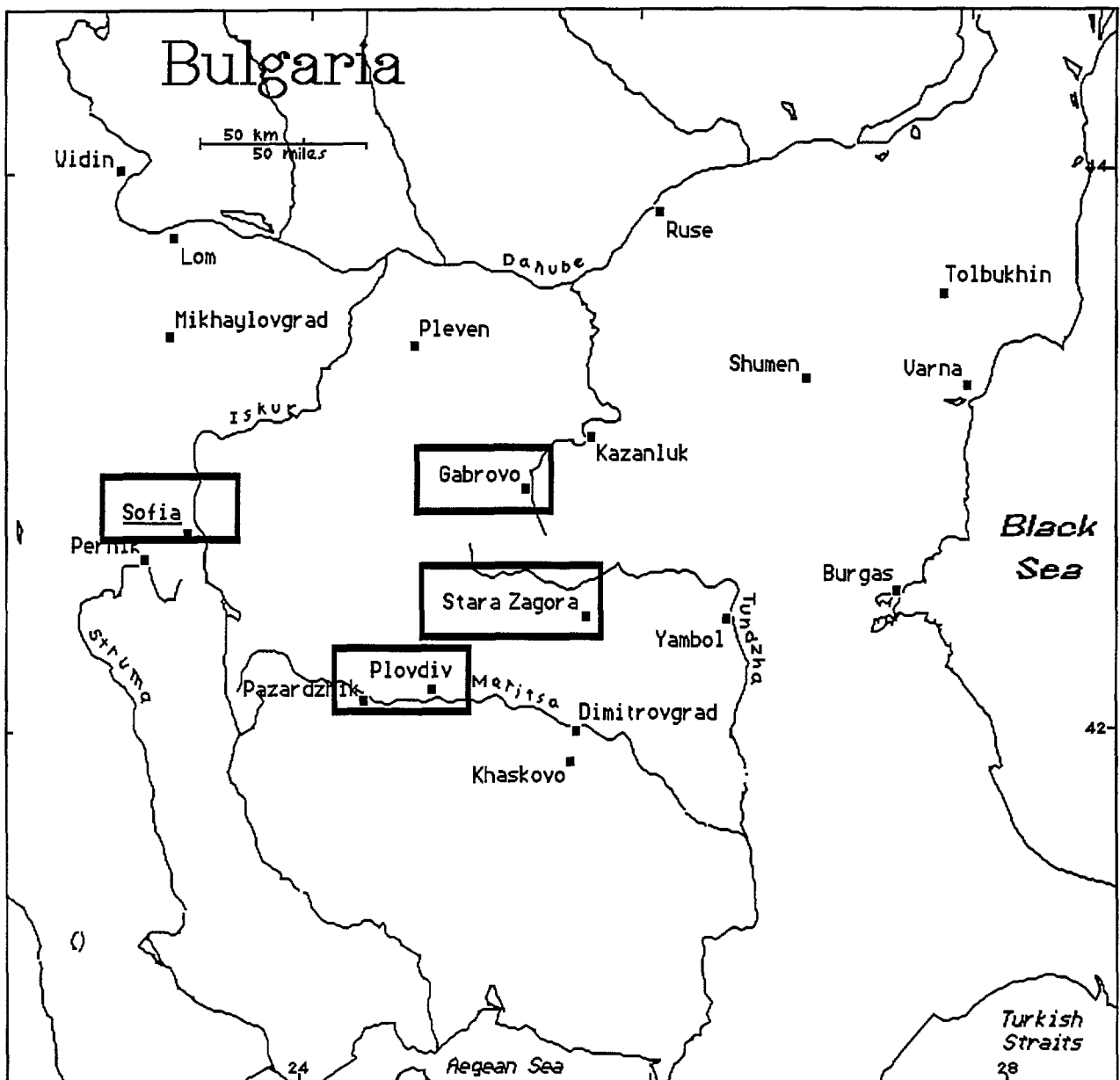


FIGURE 1

Cities outlined with rectangles are the principal municipalities visited by the TSS evaluation team.

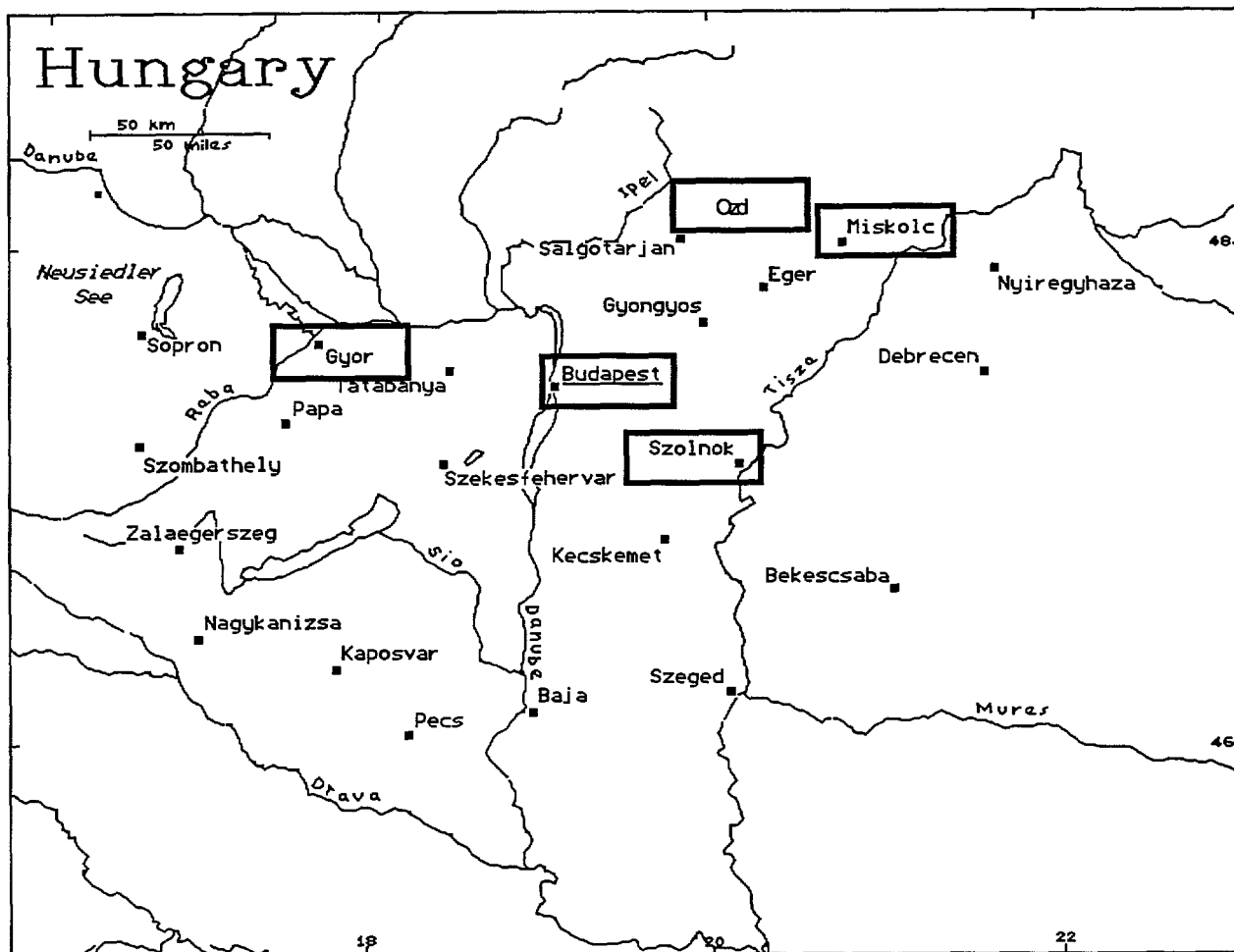


FIGURE 2

Cities outlined with rectangles are the principal municipalities visited by the TSS evaluation team.



FIGURE 3

Cities outlined with rectangles are the principal municipalities visited by the TSS evaluation team.

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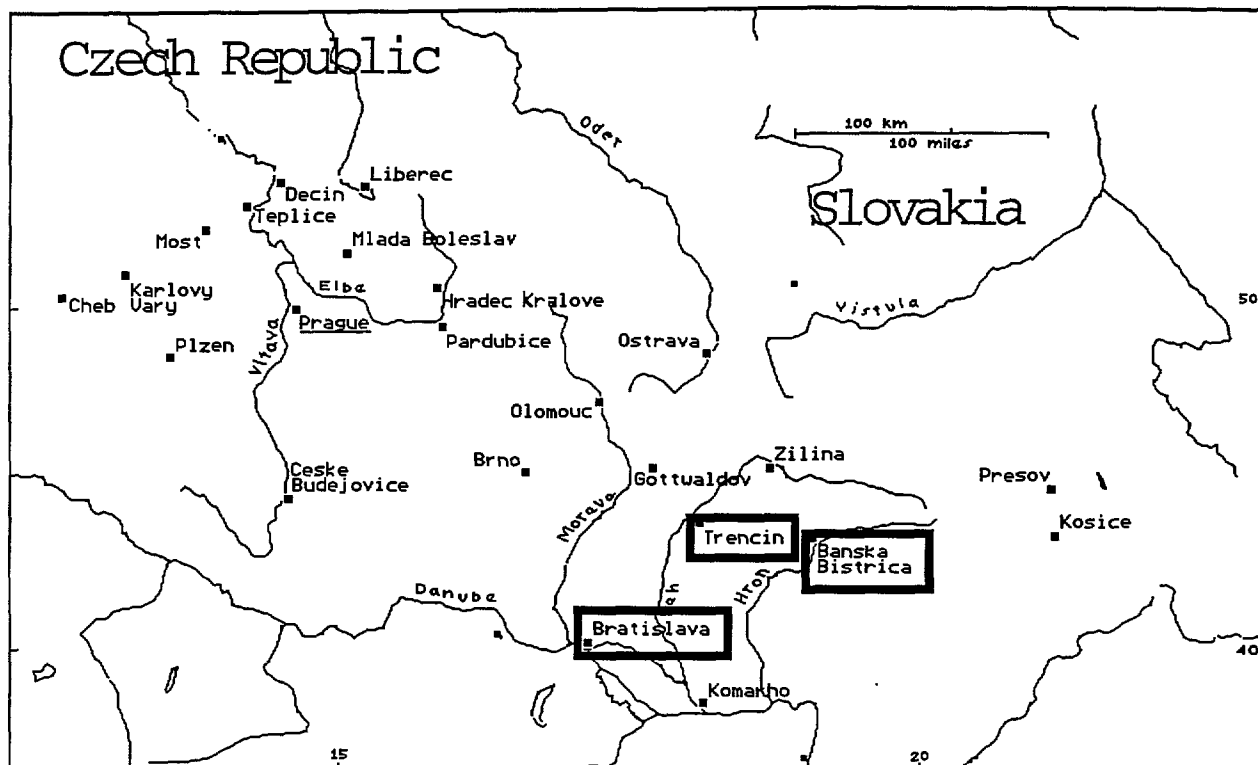


FIGURE 4

Cities outlined with rectangles are the principal municipalities visited by the TSS evaluation team.

ANNEX 6:

ASSESSMENT OF COUNTRY STRATEGIES

BULGARIA

USAID's strategy document for Bulgaria includes as one of its four principal emphases - *strengthening democratic institutions by democratic public participation at local levels, through civic, trade union, and non-governmental organizations in a long-term effort to strengthen local government and facilitate governmental decentralization.*

Thus, local government assistance is an integral part of USAID's program thrust in Bulgaria, and contributes directly to achievement of an important element of the Country Strategy.

The OAR/Sofia has developed a Municipal Development Strategy, which at the time of the evaluation team's visit, was being discussed with USAID/W.

The OAR strategy outlines five objectives to be addressed in municipal development in Bulgaria:

- Institution-building for local government associations;
- Advisory services to central government entities;
- Capacity-building assistance to local governments;
- Development of continuing education and training for local government; and
- Economic development assistance

The specific activities we examined did not address all of these areas, but it seemed clear to the evaluation team that all of the activities are contributing, in some way, to one or more of these five objectives.

HUNGARY

The most recent Assistance Strategy for Hungary (August 1994) covers the period 1994-1997. This is an update of the Country Strategy approved a year earlier. The Strategic Objectives contained in the earlier document were rather global and not presented in detail. In the area of democratic governance, there were four objectives:

- Effective democratic institutions function at national and local level;
- Population understands and participates in democratic process;
- Political process demonstrates tolerance and respect for human rights; and
- Channels exist for free and open communication.

The new Country Strategy endorses these objectives as still valid, but adds detail regarding specific ways in which USAID will address issues. The new Country Strategy also adds several new dimensions, including the following with respect to democratic governance:

- *Additional resources and new approaches are required, however, if meaningful results are to be achieved. United States Government (USG) assistance to Parliament and activities to support the election process have been effective and can be phased out in favor of other priorities. USG efforts to support democratic institutions should now focus on local government.*

- *US assistance will provide significant new assistance to local government in areas such as finance, housing, environment, and social services.*

Specifically with respect to housing, the Country Strategy states:

- *Housing is an emotional issue to most Hungarians. Past subsidy programs have disproportionately favored the wealthy. Steps to privatize the housing stock and create a rational housing finance system will include unpopular measures such as higher rents and stronger eviction rights for owners. Unless carefully managed, these steps can generate social discontent. Yet reform is inevitable. New initiatives in housing can build on three years of experience in providing technical assistance in Hungary. Additionally, the housing sector is not an area receiving much attention from other donors.*

- *US assistance will provide technical assistance to national and local governments to support reform of the housing sector.*

In supporting local government in other specific areas, the OAR/Budapest notes:

- *Means-tested social assistance is a relatively new concept in Hungary. These programs are administered by local government which have limited experience in such matters. Policies and benefit levels may differ significantly between jurisdictional areas. Given the scarce resources available for such programs, appropriate targeting and efficient administration are critical.*

- *US assistance will provide technical assistance to local governments in support of social assistance programs to directly improve the flow of benefits to the most needy."*

In our very limited exposure to the OAR/Budapest program, we saw little evidence of "significant new assistance" to local government in the areas cited in the Strategy: housing, finance, environment, or social services, although the activities we reviewed did indeed focus on these areas and appeared to be making useful contributions.

POLAND

The latest version of the Country Strategy for Poland (September 1994) expresses support for local government in several places throughout the document. In the *Overview* section, the Strategy states under the heading *Transforming Public Institutions*:

... high priority needs to be placed upon local government, supporting the decentralization of public sector responsibilities and the establishment of the necessary fiscal arrangements to finance the delivery of services at the local self-government level. Economically, decentralization is critical because it links the purchasers of services (taxpayers) more directly with the provider of services, thereby improving the accountability, relevance, and economic efficiency of the provision of public sector services. Also local government provides opportunities for broader participation in government, and thus education in democratic practices...

Under the heading *US Commitment*, the Strategy places highest priority on the following objectives: (a) Supporting private sector development, (b) Assisting development of the financial sector, (c) Helping

transform the public sector to better support democratic development and a market economy, and (d) Strengthening institutions essential for sustainable development.

The theme of strengthening local government capacity is repeated with respect to mobilizing financial resources, providing policy and technical advice to local governments, and strengthening their capacity to carry out municipal responsibilities. Unlike two of the four countries covered in this evaluation, USAID/Warsaw has not developed a formal written sectoral strategy for local government. It is clear to the evaluation team, however, that USAID/Warsaw is devoting a considerable portion of its resources to that general objective.

The evaluation team believes that local government assistance provided through the activities in the projects examined in Poland contribute to or have great potential for contributing to three of the four Mission objectives identified in its country strategy document.

Private sector development: If government follows through on USAID-supported work in municipal finance and property taxation, as appears likely, the housing and urban development sectors should receive an important boost. The private banking industry would become involved for the first time in making long-term loans to municipalities, and non-government sector housing construction and other municipal development activity could increase. While the third phase of the low emissions energy project is just getting started, its principal objective is for American and Polish private company joint ventures to research the feasibility of producing, for the Polish market and for markets in the broader CEE region, affordable clean air technologies that will sell, and, in so doing, reduce pollution.

Financial sector development: The planned operations of the MDA can be an important factor in helping to secure financing for local government development. However, we believe that USAID should assist discussions (only now beginning in earnest) concerning the role this new entity should/will play. The team believes USAID is in a position to influence these discussions. Also, while the LEM project has had, to date, only a limited involvement in local government finance (e.g. packaging infrastructure projects for financing in selected municipalities), it seems to the team that the LEM is well positioned to assist the participating municipalities more directly with local revenue generation and financial/debt management issues. The LEM can potentially help some of the smaller municipalities in Poland to better manage their overall finances and to understand and present clearly to potential funding sources that they have capacity to manage debt when given control over local revenue and that they represent reasonable credit risks.

Strengthening institutions for sustainable development: The team believes that the creation (and continuation under a different government) of the Joint Commission of Central Government and Local Government has been a significant achievement. The Commission is a forum for discussion on a wide range of local government issues. These discussions have already resulted in the creation of the MDA, which has as one of its charges to create a system for financing municipal infrastructure. The fact that the Joint Commission has already survived one change of government suggests that it may become an important vehicle for overcoming some of the inevitable political battles which a realignment of power between central and local forces may engender.

SLOVAKIA

USAID's Strategy document for 1994-1996, dated June 14, 1994, includes as one of its three strategic objectives to *assist in strengthening pluralism and the decentralization of decision-making*.

The document also includes the following statement:

Empowering mayors and other locally elected officials --including the decentralization of revenue raising authorities-- is critical. We will do everything possible to further this process through speeding up the divestiture of municipally-owned housing stocks and land. USAID technical assistance was instrumental in drafting a Condominium Law enacted in 1993. It will be a key tool to carry out this portion of the strategy.

The OAR/Bratislava has clearly made local government assistance an integral part of its assistance program to Slovakia.

To demonstrate the importance it places on local government issues, the OAR/Bratislava is developing a Housing and Urban Development Sector Strategy (in working draft form during the evaluation team's visit). The priorities of the strategy are to support three inter-related programs:

- A local self-government program, which will foster decentralization of governmental authority and promote democratic pluralism. This program would assist municipalities with financial and human resources, aiming at helping municipalities reach a level of competent self-management capable of delivering services to their residents. This program will focus on municipal financial management, enterprise and property management, reducing the cost of municipal infrastructure, and training newly elected municipal officials.
- A Private Sector Housing Program; aimed at helping private individuals to build, maintain, buy and sell their own shelter. This program will address both new construction and existing housing stock.
- A Housing Allowance Program; targeting housing subsidies so as to make housing more affordable to the poor.

The local government related objectives stated in the country strategy, and amplified in the draft Housing and Urban Development Sector Strategy make the OAR/Bratislava's approach to local government issues among the most comprehensive of the four countries we visited.